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# ***Daily Report***

## **East Asia**

FBIS-EAS-95-002  
Wednesday  
4 January 1995

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# Daily Report

## East Asia

FBIS-EAS-95-002

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4 January 1995

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**AUSTRALASIA**

**Australia**

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## Japan

### MITI's Hashimoto on Resumption of Auto Talks

OW0401042895 Tokyo NHK General Television  
Network in Japanese 0310 GMT 4 Jan 95

[Announcer-read report; from "NHK News" program]

[FBIS Translated Text] Negotiations on automobiles and auto parts have been the focus of the Japan-U.S. economic framework talks. Both the Ministry of International Trade and Industry [MITI] and the U.S. Department of Commerce have formally decided to resume the negotiations in late January, that have remained suspended for four months.

This was disclosed by Ryutaro Hashimoto, Minister of International Trade and Industry, at a news conference held just a short while ago. At the news conference, Hashimoto said: MITI and the U.S. Department of Commerce have formally decided to resume negotiations in late January and major items on the agenda will be the relaxation of regulations on the Japanese auto parts market, the expansion of opportunities for Japanese automakers to procure American-made auto parts in the United States, and how to expand opportunities for foreign automakers to gain access to the Japanese automobile market.

At the news conference, Hashimoto went to say that the United States should not seek to set any numerical targets nor bring up for discussion any matters in the negotiations that are beyond government's reach. Hashimoto noted that the negotiations should not be held on the premise of possible U.S. sanctions against Japan.

Hashimoto stressed that the U.S. demand for an increase in the planned purchase of American-made auto parts by Japanese automakers, which could lead to managed trade, would not be discussed.

Japanese and American negotiators broke off the negotiations in October 1994 and the negotiations have remained suspended because the U.S. Government has taken steps to apply sanctions against Japan under the Super 301 provision of the 1988 Omnibus Trade Act, claiming that the Japanese auto parts market is closed.

### Tokyo 'Reluctant' To Accept U.S. Proposal on ODA

OW0401121995 Tokyo NIHON KEIZAI SHIMBUN in  
Japanese 4 Jan 95 Morning Edition p 1

[by Satoru Tsugawa]

[FBIS Translated Text] Washington, 3 Jan—It has been revealed that the United States has urged Japan to cooperate in drawing up international rules designed to increase transparency in information related to Official Development Assistance (ODA) projects. In concrete terms, the United States has asked Japan to study the

idea of working out rules concerning the untied yen-based loan system at the Development Assistance Committee of the OECD—the untied system allows not only Japanese companies but also foreign companies to provide ODA-related materials. Moreover, through Japanese-U.S. bilateral negotiations, the United States has demanded that foreign companies concerned be allowed to obtain ODA projects-related information at an early stage via worldwide information networks such as the Internet. However, the Japanese Government is reluctant to work out such new rules.

The proposal for drawing up international rules was disclosed by Raymond Albright, senior vice president of the Export-Import Bank of the United States, which is a U.S. Government agency. He stated: "Our interest in Japan's ODA projects focuses on their transparency, and we have asked the Japanese Government to cooperate in drawing up rules at a venue of the OECD."

### Pentagon Asks Firms To Join High-Tech Project

OW3112060594 Tokyo NIHON KEIZAI SHIMBUN in  
Japanese 30 Dec 94 Morning Edition p 8

[FBIS Translated Text] Ishikawajima-Harima Heavy Industries Company has disclosed that it has been asked by the U.S. Defense Department to participate in a joint project to develop molding technology for the next generation of composite materials. Three Japanese firms—Mitsubishi Heavy Industries, Kawasaki Heavy Industries, and Mitsubishi Electric Corporation—have already been asked by the Pentagon to participate in the joint project, which has the potential to involve major defense-related firms in Japan.

Ishikawajima-Harima Heavy Industries Company plans to make a decision on its participation after examining the potential profitability and how the research results will be distributed.

The joint project aims to develop three-dimensional molding technology for composite carbon fiber materials. The new technology is widely known to have the potential to dramatically increase the strength of aircraft and missiles, though it is not yet in practical use. Ishikawajima-Harima Heavy Industries Company is known to have developed composite materials technology while manufacturing jet engines.

The carbon fiber materials can be used to manufacture sports goods and other commercial goods, and the Pentagon calls the three-dimensional technology "dual-use" because it can be used to manufacture both commercial and military goods. As the results of the joint project will be used in the manufacture of military goods, the Japanese firms need to obtain approval from the Ministry of International Trade and Industry, under the "agreement on the transfer of weapons technology to the United States," before taking part in the joint project.

A spokesman for Ishikawajima-Harima Heavy Industries Company said: "For now, no decision is being made



on whether or not to take part in the joint project. We will make a decision after fully examining the terms of the joint project."

Mitsubishi Heavy Industries, Kawasaki Heavy Industries, and Mitsubishi Electric Corporation, which have each been approached by the Pentagon to participate in the joint project, are also currently examining the offer. It is believed each of them will have to bear a cost amounting to billions of yen if it decides to participate, so profitability will be an important factor in their decisions.

In post-war years the United States has transferred weapons technology to Japan through the licensed production formula. The Pentagon is believed to be offering the Japanese firms the chance to participate in the joint project with the aim of promoting a "mutual transfer of weapons technology" between Japan and the United States.

The Japanese firms will decide on their participation in the joint project by not only taking into account profitability, but also the U.S. view of Japan and other political factors.

#### **LDP's Watanabe Cautious About DPRK Reactor Aid**

OW0201081995 Tokyo KYODO in English 0747 GMT  
2 Jan 95

[FBIS Transcribed Text] Otawara, Japan, Jan. 2 KYODO—Former Foreign Minister Michio Watanabe expressed caution Monday [2 January] about Japan's aid for a project to build light-water reactors for North Korea.

"The United States would expect money from Japan but there are problems" surrounding the nuclear issue, Watanabe said in a speech in Otawara in his native Tochigi Prefecture.

His remarks came amid strong indications that the North Korean nuclear program will be high on the agenda of next week's summit talks in Washington between Prime Minister Tomiichi Murayama and U.S. President Bill Clinton.

Watanabe called for an early implementation of administrative reform, calling it "a job the entire country should strive to complete."

He proposed a meeting of leaders of the ruling coalition—Murayama's Social Democratic Party [of Japan], the Liberal Democratic Party, of which Watanabe is a senior member, and New Party Sakigake [Harbinger]—after drawing up a list of government and government-affiliated agencies and areas that should be eliminated.

Watanabe also suggested dialogue with the opposition Shinshinto (New Frontier Party) on administrative reform.

#### **Radioactive Waste Said To Be Shipped From France**

OW3112083394 Tokyo KYODO in English 0804 GMT  
31 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 31 KYODO—High-level radioactive waste produced in the course of reprocessing Japanese spent nuclear fuel in France will be shipped back to Japan by way of the Atlantic-Pacific sea route via the Panama Canal, electric power industry sources said Saturday [31 December].

The Japanese nuclear power industry has commissioned Cogema of France to reprocess spent nuclear fuel from power plants in Japan. The vitrified waste, a mixture of high-level radioactive waste and glass, will be transported inside round stainless steel containers.

The shipment route was decided following a safety agreement reached by the local government of Rokkasho in Aomori Prefecture and Japan Nuclear Fuel Co.

Japan has a high-level radioactive waste storage facility, run by Nippon Nuclear Fuel, in Rokkasho.

The Federation of Electric Power Companies is expected announce the route and the schedule for the shipment after the Aomori gubernatorial election in February, according to the sources.

The storage of nuclear waste is a key issue in the elections. The sources, however, added that the federation may not disclose the shipment plan in light of strong opposition to the announcement of the schedule by British Nuclear Fuels Ltd. The British company is in charge of the transport of radioactive waste to Japan.

A ship carrying the nuclear waste is scheduled to arrive at Rokkasho about one and a half or two months after leaving France in late February, according to the sources.

#### **Australia Restates Support for Tokyo UNSC Seat**

OW0301032095 Tokyo KYODO in English 0147 GMT  
3 Jan 95

[FBIS Transcribed Text] Sydney, Jan. 3 KYODO—Foreign Minister Gareth Evans on Monday [2 January] reiterated Australian support for Japan's bid for permanent membership on the UN Security Council (UNSC).

In a call for the council to become "representative of existing power realities," Evans said the Security Council should expand its permanent membership to include Japan, Germany and other major countries.

"I think it is very important that Japan and Germany assume an effectively permanent role on the Security Council because they are the kinds of powers now that the existing five permanent members were in the late 1940s," he told Australian Broadcasting Corp.

The United Nations is planning to reform the council as the world body marks the 50th anniversary this year of its founding in 1945.



The Security Council is made up of five permanent member states and 10 nonpermanent member nations.

The permanent five with veto power are Britain, China, France, Russia and the United States, the victors in World War II. Ten nonpermanent member countries are elected on a rotating basis.

Japan formally declared its bid for a permanent seat in September last year when Foreign Minister Yohei Kono addressed the UN General Assembly.

Evans said that creating a more representative institution would improve the effectiveness of the Security Council.

Prime Minister Paul Keating expressed support for Japan's bid to become a permanent member of the Security Council when he visited Tokyo last September.

#### **APEC Meeting Unlikely To Discuss Specifics**

OW0401065895 Tokyo KYODO in English 0639 GMT  
4 Jan 95

[FBIS Transcribed Text] Singapore, Jan. 4 KYODO—The new Japanese chief of the Asia-Pacific Economic Cooperation (APEC) forum says the next APEC meeting scheduled for November in Osaka will open with discussions on procedural matters rather than specific programs.

Shojiro Imanishi, a Foreign Ministry official who was given the post of APEC executive director Sunday, made the comment in a recent interview with KYODO NEWS SERVICE.

Imanishi discounted speculation that the APEC meeting will discuss specific measures to implement an APEC leaders' commitment to lift trade and investment barriers by the year 2020. The pledge was contained in a declaration adopted at an APEC summit in Bogor, Indonesia, last November.

Imanishi said the declaration was supported by Australia, the United States, Singapore and other countries "which attach the greatest importance to liberalization" of trade and investments.

He added, however, "not all countries or territories support that position."

APEC comprises 18 nations and territories in the Asia-Pacific region. They must confirm "what was agreed on at the Bogor meeting" and one of the first things for them to do at the Osaka meeting is to prepare a framework for negotiations, Imanishi said.

He compared APEC activities to a roller coaster, saying "it needs to move fast, but not too fast, so that it would not throw off riders."

APEC programs should push three-pronged efforts to promote liberalization of trade and investments, implement various trade promotion measures and nurture personnel and small industries "in a balanced manner," he said.

Imanishi said APEC "needs no more shows" and must implement unfinished tasks steadily, adding that the Osaka meeting will be the first venue at which the process can begin.

#### **Banks Establishing Business Network in Asia**

952A0180A Tokyo GINKO JIHYO in Japanese Dec 94  
pp 34-37

['Special Report' by Haruo Kurahashi]

[FBIS Translated Text] The 21st century has been called the age of Asia. The region, which has been experiencing phenomenal growth compared to Europe and the Americas, has become the object of global attention. Following in the wake of major corporations, medium and small companies have been actively shifting operations to Asia on account of the rapidly appreciating yen. In order to support these businesses, the leading city [money center] banks have been opening bases of operation in the region. This special report takes a look at the establishment of these overseas branch offices with regard to the varying laws and conditions in these countries.

Japanese corporations have been shifting operations to Asia since a strong yen was tolerated under the Plaza Accord nine years ago. These corporations have been seeking manufacturing bases in countries with low labor costs and currencies whose relative value is weaker against the dollar. The newly industrializing economies (NIE's) of Asia and the ASEAN countries have been the primary recipients of this shift in operations. As the investment environment in nations such as South Korea began to deteriorate because of rising labor costs, investment capital also shifted to the other countries in the Asian region.

Following in the wake of the major corporations, medium and small Japanese companies have recently begun to shift operations overseas. The yen has become too strong for them to turn a profit on exports from their domestic manufacturing base. While many worry about the hollowing out of this domestic manufacturing base, these companies must produce their products overseas if they are to survive. These companies have almost certainly sought support and advice from their financial institutions on how to move their operations abroad.

The overseas strategy of these corporations is at first limited to the import of semi-finished parts and the export of finished goods, followed by local sales operations, research and development facilities, and regional headquarters. Before such an overseas strategy is set in motion, however, a company must gather as much information as possible on local conditions. If a company does not obtain good information in the research stage, then it may experience serious setbacks as it tries to shift operations to the region. This has meant that these firms have had to rely on trading companies and banks for this information. In order to meet these expectations and lend constructive support to Japanese



companies shifting operations to Asia, the major city banks have set up branch operations and local offices in Asia. The following is a survey of the current situation in the various countries of the region.

### **All Eyes on China**

#### **China**

All Japanese companies have their gaze fixed on China. In 1979 China began opening up its various regions to investment and reforming its legal institutions. Japanese investment capital began pouring into China after the 1985 Plaza Accord forced up the value of the yen. By 1987 the investment stream began diverting away from the NIE's and other Asian countries. China welcomed this investment boom, but the Tiananmen Incident of 1989 caused a temporary bust by foreign investors. The most recent investment boom commenced with the reform of Chinese joint-venture laws in 1990 and Deng Xiaoping's "Nanfang Speech" of 1992.

The city banks said to have the strongest presence in China are Sanwa Bank, the Bank of Tokyo, and the Industrial Bank of Japan [IBJ]. Sanwa Bank features a strong Overseas Chinese management team operating out of Hong Kong. Its business strategy consists of making inroads into the Chinese mainland from its operational base in Hong Kong. Sanwa is unrivalled by any other Japanese bank in terms of its investment in human capital, both in China and Hong Kong. Its enthusiasm for the Chinese market is tremendous. The Bank of Tokyo has been traditionally strong in China. As China continues to press on toward the creation and internationalization of its exchange markets, capital markets, and stock markets, the Bank of Tokyo is poised to make use of its network of contacts. The Industrial Bank of Japan, known for its unparalleled research on Japanese domestic industries, has also displayed some strength in China. It has developed its business strategy in China around development projects which are its particular strength. These three banks are currently focusing their energies on being the first to open a branch office in Beijing. It is believed that permission will be granted soon.

#### **South Korea**

The shift of operations by Japanese companies to South Korea has peaked, and some companies have since withdrawn seeking manufacturing bases elsewhere. The city banks have increased their dealings with Korean *zaibatsu* [conglomerate]-affiliated companies, however, aggressively developing business in the domestic Korean market. At the same time, the city banks have been lending support to Korean companies moving their manufacturing operations offshore. These banks are thus reaping rewards in other Asian markets while boosting their standing in Asia as providers of information services. As Korean companies internationalize and develop overseas operations, they will seek out advice from those who preceded them down the road toward becoming multinationals.

#### **Taiwan**

Japanese companies have invested relatively little capital in Taiwanese manufacturing operations, usually holding an equal or majority stake. Often the Japanese provide the technology while other partners provide the capital. When entering into such joint ventures, Japanese companies have to be on close terms with their local partners. Daiichi Kangyo Bank is unrivaled by all other city banks in Taiwan, though the Bank of Tokyo is in pursuit. While both banks have branch operations on the island, Daiichi Kangyo Bank concentrates on dealing with Japanese companies and is very cautious in its local business dealings. By contrast, the Bank of Tokyo deals primarily with local companies and as a result is acquiring a wealth of experience. Other city banks have considered establishing branch operations in Taiwan because of the phenomenal growth of its economy, but are wary of the political impact on their relations with China. Thus barring a downturn in the investment boom on the mainland, the establishment of such operations in Taiwan is doubtful.

#### **Hong Kong**

All of the banks have operations in Hong Kong, where much of the region's investment decisions are made and its securities traded. Investment information is easy to obtain in the colony, and its cash syndicate market is huge. For these reasons Hong Kong makes an attractive base of operations for their regional business strategies. Many Japanese companies have wide-ranging business ties to medium-sized Overseas Chinese firms, and most of the city banks have focused their efforts on serving them. The distinction between management and ownership of Overseas Chinese businesses is often difficult to discern, but many of these "Asian-style multinationals" have become quite large, and the largest groups are listed on the local stock exchange. Overseas Chinese businesses divide and subdivide at a rapid pace. Good information and the right skills, therefore, can be a powerful tool for a Japanese company. Overseas Chinese business transactions are strongly influenced by personal connections. The three city banks which have demonstrated strength in China all rely on their Overseas Chinese staff based in Hong Kong. They have sufficiently demonstrated their strength in their home base as well.

#### **The Philippines**

The investment climate in the Philippines has improved. Maintenance of infrastructure had been perceived as a problem. Seven- to eight-hour blackouts in Manila were not uncommon at one time, but these problems have been largely swept away by better maintenance of transmission lines and improvements in keeping electrical generators up and running. A major factor has been the stability brought about by the Ramos administration. Infrastructure improvements are proof that his economic policies are moving forward. Japanese companies are acutely sensitive to such factors. One electronics manufacturer, which had moved some operations to



Indonesia as a counterweight, ultimately decided to remain in the Philippines. This decision primed the pump. Smaller electronics component manufacturers that do business with this company have since expressed a strong desire to move operations to the Philippines, prompting some to predict a manufacturing boom.

Only the Bank of Tokyo has a branch office in the Philippines, but regulations have limited its operations to offshore business. In May 1994, however, banking laws were amended to allow for full banking, and the Bank of Tokyo is busily expanding the scope of its operations. There are rumors that Fuji Bank will set up a branch office in the near future. The Philippines may soon take center stage.

#### Thailand

Two banks, Sakura Bank and the Bank of Tokyo, have branch offices in Thailand that offer full banking services. Both banks expanded the number of staffers at their Bangkok offices in June 1994, intensifying competition for business in Thailand. The management of the Thai economy has been skillful. The business climate in this developing country is good and exports have grown substantially. When its balance of payments hit a ceiling recently it generated foreign capital import problems that threatened to squeeze the domestic economy. Japan had experience with this problem in the past, and is currently dealing with this dilemma. However, the Thais have controlled the problem skillfully, raising the balance-of-payments ceiling by rapidly expanding its export infrastructure and stimulating domestic demand. It is now pursuing balanced growth through exports and domestic demand. Japanese companies with manufacturing operations in Thailand have developed business strategies that target the domestic market as well as export markets, particularly neighboring countries. For this reason alone, Thailand has become an easy place to establish overseas manufacturing operations.

#### Malaysia

Ten city banks have branch offices in Labuan from which they are able to conduct offshore business. Only the Bank of Tokyo has a branch office in Kuala Lumpur. However, in July 1994 the government of Malaysia, in response to demands from foreign companies, amended its laws to allow for companies capitalized with 100 percent foreign funds. The city banks, however, can only make foreign loans with an offshore license, and they must send personnel to Kuala Lumpur to facilitate the transaction.

The government has been successful in attracting high-tech manufacturers and electronics-related industries to set up operations in Malaysia, and its international balance of payments remains in the black. However, Japanese companies are clearly using Malaysia as a manufacturing base to ship components to other production sites in neighboring ASEAN countries and China, rather than as a base targeted at the domestic market.

#### Singapore

Singapore is to the ASEAN countries what Hong Kong is to the Chinese mainland. It is a country with latent economic resources on par with Hong Kong. Singapore's Overseas Chinese population, with connections to nearby Indonesia, facilitate the channeling of foreign investments to that country. Singapore is noted as a currency management base, playing a major role in hedging ASEAN currencies. Currently, Sakura Bank and the Bank of Tokyo hold a slight lead over the other city banks in providing full banking services, but Daiichi Kangyo Bank aims to overtake them, having added additional staff at its regional office in June.

#### Indonesia

Only the Bank of Tokyo maintains a branch operation in Indonesia, although other city banks provide some services through joint ventures with local banks. The Bank of Tokyo thus holds a wide lead over all other Japanese banks. There are various "antimeddling laws" against foreign banks, so the city banks conduct their dealings in Indonesia through Singapore and Thailand. The Singapore route, however, is considered the best for sales.

#### India

Already Japanese companies are taking note of Indian companies and view India itself as an up-and-coming market. Because of its historic relationship with Britain, its laws are more advanced than China's. For this reason, it is considered an easier place to move manufacturing operations. Bangalore and Madras are shaping up as a second and third silicon valley because of the necessary superior engineering talent available there. Sakura Bank, Sanwa Bank, and the Bank of Tokyo all have operations in India, and other city banks plan to set up operations there in the near future. Some are studying the feasibility of transferring manufacturing operations to India. However, India must first solve some very basic infrastructure problems.

#### Pakistan

The Japanese investment wave has yet to reach Pakistan, but it is considered by many to be the next market after India. Because of political instability, however, no bank has deemed it necessary to set up branch operations in Pakistan yet.

Table 1. List of Branch Offices in East Asia

|                     |                                                                                   |
|---------------------|-----------------------------------------------------------------------------------|
| Sakura Bank         | Shanghai (12/92), Seoul (10/88), Guangzhou (10/93), Hong Kong (11/82)             |
| Daiichi Kangyo Bank | Shanghai (3/92), Seoul (2/72), Taipei (9/59), Kaohsiung (9/92), Hong Kong (12/84) |
| Sumitomo Bank       | Guangzhou (12/92), Seoul (2/82), Hong Kong (12/62)                                |
| Fuji Bank           | Shenzhen [PRC] (6/93), Dalian (9/94), Seoul (1/72), Hong Kong (7/79)              |



|                                |                                                                                                                                 |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Mitsubishi Bank                | Shanghai (6/93), Seoul (10/67), Hong Kong (9/81), Kowloon [Hong Kong] (8/87), Shanghai [Hong Kong] (9/88)                       |
| Sanwa Bank                     | Shenzhen (5/86), Shanghai (5/91), Dalian (12/93), Seoul (8/82), Hong Kong (4/64)                                                |
| Tokai Bank                     | Seoul (8/83), Hong Kong (4/83)                                                                                                  |
| Asahi Bank                     | Seoul (10/88), Hong Kong (12/82)                                                                                                |
| Daiwa Bank                     | Shanghai (12/93), Seoul (11/88), Hong Kong (9/81), United Center [Hong Kong] (7/88)                                             |
| Bank of Tokyo                  | Shenzhen (5/86), Shanghai (12/91), Dalian (9/92), Seoul (9/67), Pusan (2/88), Taipei (3/93), Hong Kong (10/53), Kowloon (10/62) |
| Hokkaido Takushoku Bank        | Shenzhen (5/86), Hong Kong (8/84)                                                                                               |
| Industrial Bank of Japan       | Shanghai (8/91), Dalian (11/91), Hong Kong (6/79)                                                                               |
| Long-Term Credit Bank of Japan | Seoul (10/91), Hong Kong (10/83)                                                                                                |
| Nippon Credit Bank             | Hong Kong (4/86)                                                                                                                |

Table 2. List of Branch Offices in Southeast Asia

|                                |                                                                                 |
|--------------------------------|---------------------------------------------------------------------------------|
| Sakura Bank                    | Bangkok (11/52), Labuan [Malaysia] (12/93), Singapore (7/63)                    |
| Daichi Kangyo Bank             | Bangkok (9/93), Labuan (11/93), Singapore (7/76)                                |
| Sumitomo Bank                  | Bangkok (4/93), Labuan (10/93), Singapore (1/73)                                |
| Fuji Bank                      | Labuan (9/93), Singapore (7/74)                                                 |
| Mitsubishi Bank                | Bangkok (9/93), Labuan (11/92), Singapore (5/73)                                |
| Sanwa Bank                     | Bangkok (6/93), Labuan (11/93), Singapore (12/77)                               |
| Tokai Bank                     | Labuan (11/93), Singapore (12/78)                                               |
| Asahi Bank                     | Singapore (4/81)                                                                |
| Daiwa Bank                     | Singapore (10/79)                                                               |
| Bank of Tokyo                  | Bangkok (7/62), Manila (11/77), Labuan (5/93), Singapore (1/59), Jakarta (8/68) |
| Hokkaido Takushoku Bank        | Singapore (8/84)                                                                |
| Industrial Bank of Japan       | Bangkok (5/93), Labuan (12/93), Singapore (3/78)                                |
| Long-Term Credit Bank of Japan | Bangkok (8/93), Labuan (11/93), Singapore (1/81)                                |
| Nippon Credit Bank             | Singapore (4/85)                                                                |

Table 3. List of Branch Offices in South Asia

|               |                                                                 |
|---------------|-----------------------------------------------------------------|
| Sakura Bank   | Bombay (5/55)                                                   |
| Sanwa Bank    | New Delhi (12/90)                                               |
| Bank of Tokyo | Bombay (3/53), Bombay (12/53), New Delhi (3/63), Karachi (4/53) |

### Foreign Capital: Mild Poison

Most nations in Asia are genuinely interested in attracting investment and expertise from foreign banks

in order to spur economic development and create more efficient financial systems. Foreign capital, however, is widely regarded as "poison" by the developing nations of Asia. A small dose of poison is often good medicine, even when a larger dose would kill. Permission to introduce foreign capital is thus limited. At the present time, small doses of "poison" have been skillfully added to the "concoction." Over the past several years the real economy in these nations has expanded rapidly and their financial markets have matured. As part of the next stage, these nations must open up markets to competition in order to make their economies more efficient. Consequently, they will have to open up their financial markets as part of this "second wave."

This stage in the game will require a different strategy. Because their financial markets have risen to the level of their real economies, the city banks cannot offer typical banking services. They will have to be aggressive and introduce "popular" advisory services like those offered in the advanced economies of Europe and North America. Methods that were developed in other markets will be introduced in the new Asian markets. They will have to use their most recently created major products.

They may also fall into the "sink holes" of the new Asian markets. These potential "sink holes," as the press has called them, are not just limited to China and Hong Kong. It is imperative that corporations doing business in these countries remain connected to the local government and companies in order to obtain potentially important information and local know-how. In order to develop such relationships, they will have to invest in local personnel.

### MOFA Wary of Setback in Northern Territories Talks

OW0201031095 Tokyo SANKEI SHIMBUN in Japanese 31 Dec 94 Morning Edition p 2

[FBIS Translated Text] The Ministry of Foreign Affairs [MOFA] is concerned about the present situation in Chechen since it "may adversely affect the future development of the northern territories issue" (as noted by a senior MOFA official). The MOFA official believes "the leadership of President Boris Yeltsin will be weakened by the rise of conservative groups no matter what occurs in the Chechen Republic." To avoid the Chechen issue's adverse influence on the northern territories issue, MOFA intends to promote political dialogue with Russia by positively calling for Russian Foreign Minister Andrey Kozyrev's early visit to Japan.

In a formal stance, the government and MOFA expressed Japan's "concern" (as noted by Chief Cabinet Secretary Kozo Igarashi) over the Chechen situation, but it is "still a domestic problem of Russia" (as Foreign Minister Yohei Kono said). The Chechen issue is a complicated ethnic conflict, and international criticism of the Russian forces' invasion in Chechen "will weaken



President Yeltsin's instable government and strengthen conservative groups in Russia" (as noted by a government source).

However, MOFA is now thinking that "Russia is very likely to suffer further political confusion even if Chechen decided to remain in the Russian Federation" (as noted by a MOFA source) but Chechen's independence would certainly make the Russian situation even worse since it strengthens anti-Yeltsin conservatives in Russia. In addition, some Russian residents in the northern islands began to say the islands would be better off belonging to Japan since the Russian Government does not adequately support them after a quake hit the region last summer. The MOFA source said, under such circumstances, "President Yeltsin may take a rigid attitude toward the northern territories issue hereafter to check moves of conservatives and separatists."

MOFA has been saying "the stability of the Yeltsin administration is an indispensable factor for settling the territorial issue," but the MOFA source noted that "the Chechen situation may ruin our strategy for settling the territorial issue."

MOFA intends to realize Russian Foreign Minister Kozyrev's Japan visit as soon as possible, while the confusion in Chechen is likely to postpone his January visit for months. MOFA believes the promotion of political dialogue with Russia is becoming an urgent question to avoid a "setback" in the territorial issue.

#### **Tokyo, Moscow Agree on Fishing Quotas**

OW3112041094 Tokyo KYODO in English 0342 GMT  
31 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 31 KYODO—Japan and Russia agreed to continue allowing each side's fishing boats to catch 100,000 tons a year in the other's waters for free, Japanese officials said Saturday [31 December].

Beyond that, Japanese fishermen will be allowed to catch up to 18,000 tons for fishing fees of 720 million yen, the officials said, citing an overnight report to the Foreign Ministry from the Japanese embassy in Moscow.

Russian vessels will be allowed to call at Kushiro, Hokkaido, for provisions and for the crew's rest and recuperation under the agreement reached at Moscow talks that began Monday, the officials said.

#### **Article Views PRC Loan Provision Conditions**

OW0301063795 Tokyo NIHON KEIZAI SHIMBUN in  
Japanese 1 Jan 95 Morning Edition p 3

[FBIS Translated Text] It is expected that China will promote its economic development to be prepared for the 21st century. Because of this, the Ministry of Foreign Affairs [MOFA] has started a study aimed at making a significant review of Japan's yen-based loans to China in and after the year 2001. Some of the plans are: 1) MOFA

will stop its practice of assuring China a lump sum of money for a period of several years and make flexible decisions each year; 2) projects, which will receive funding from the yen-based loans, will be narrowed down to projects in inland areas, where private funds are hardly available, and the overall amount of funds will be reduced; and 3) the current low interest rates (about 2.6 percent a year) will be raised. It is said that Japan has been treating China kindly by giving the yen-based loans because, among other things, China gave up its right to demand postwar compensation. However, it seems that this policy will change significantly.

Following efforts, including the signing of a peace and friendship treaty (in 1978), aimed at making Sino-Japanese relations close, Japan started granting yen-based loans to China. The amount of the loans expanded each time. Japan gave China 330 billion yen [Y] for the first yen loan plan (for fiscal 1979-1983). It was Y470 billion for the second loan plan (which covered fiscal 1984-1989) and Y810 billion for the third yen loan plan (for fiscal 1990-1995).

Regarding the fourth yen loan plan (for fiscal 1996-2000), Japan recently agreed to give China Y580 billion for the first three years of this fiscal period. This translates into about Y195 billion per year. There is a possibility that China will become the largest yen loan recipient, surpassing Indonesia, which receives around Y180 billion a year.

MOFA started to review the yen-based loans to China for the following reasons: 1) MOFA thinks it will be difficult to have the Japanese taxpayers' support for such a "generous" economic aid package because China's economic development will pick up momentum in the 21st century; 2) since it is likely that other Asian nations will strengthen their calls on Japan for support, Japan just cannot give China such a large amount of loans, which far exceed loans to other countries; and 3) there is a possibility that the International Development Association (IDA) will stop giving low-interest loans to China in and after 2001 and the international society will increasingly "review their aid to China." However, it is a future task to study how much Japan should reduce the entire amount of yen-based loans.

The method of determining the loan amount each year is a rather common practice for yen-based loans to other countries. A flexible decision for increasing or decreasing the amount of loans to China can be made depending on economic development in China and Japan should this method be employed.

Projects which will use yen-based loans will be narrowed down to projects in inland areas, including Heilongjiang Province, because coastal areas, such as Shanghai, are enjoying relatively high economic growth. Also, MOFA, in making this decision, took into consideration the point that loans of the Japan Export and Import Bank and private funds can be easily utilized. About one-third of the loans, which Japan will provide to China during



the first three years of the fourth six-year yen loan plan, will be used to fund projects other than the ones in the inland areas.

Moreover, MOFA is also thinking about giving more weight to environmental protection projects, including ones for the prevention of air pollution, which has some impact on Japan, too. MOFA will do that by attaching less importance to the improvement of large-scale social structures such as roads, harbors, and airports. Japan agreed to finance all 15 environmental protection projects which China had asked for, during the first half period of the fourth yen loan plan. The 15 projects are worth about Y88 billion, which is 15 percent of the total amount approved for the first half of the fourth yen loan plan. On the basis of the "four principles of Official Development Assistance (ODA)," which calls for paying attention to recipient nations' defense expenditures, MOFA plans to maintain its policy of not funding defense-related projects.

#### **SANKEI Report on PRC's Yen-Based Loans Strategy**

*OW0401051395 Tokyo KYODO in English 0455 GMT 4 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 4 KYODO—Internal Chinese government documents say it is wise for the country to get as much official loans from Japan as possible while considering the possibility of joining hands with other Asian countries in pushing Tokyo to ease their debts owed to Japan, a Japanese daily reported Wednesday [4 January].

The SANKEI SHIMBUN said it obtained a series of documents on Chinese policy toward Japan's yen loans which have been extended to China since 1979.

The SANKEI said the documents were drawn up by "high-level experts within the Chinese Government" to prepare for negotiations with Japan on loans for the fiscal 1996-2000 period, the fourth such set of loans.

Officials of the two countries ended two days of negotiations Dec. 22 after agreeing that Japan would offer loans totaling 580 billion yen for the first three years of the new set of loans, or the fiscal 1996-1998 period.

The loans will cover 40 projects, and the amount for the latter two-year period will be decided in future negotiations.

The newspaper said the documents show China basically appreciates the Japanese loans and thinks it should "grab at advantageous chances and aim at using the yen loans as much as possible."

Regarding Japan's concerns over China's nuclear tests and expansion of its military spending, the documents simply called the concerns "problems in the yen loans" and did not consider them serious, the paper said.

Japan's 1992 charter for official development assistance stipulates that Japan will take into account an aid recipient's military spending, possession of mass destruction weapons and arms exports.

The documents also take note of the recent high appreciation of the yen which has expanded the amount of China's debt to Japan, and they use such expressions as "yen loans are like those from loan sharks," the SANKEI said.

They also say China needs to take some counteraction on the issue soon and mention a possible plan of cooperating with Thailand, Indonesia and other Asian countries to jointly ask Japan to reduce their debts, it said.

#### **Firm To Produce Program for Chinese Radio Station**

*OW0401095295 Tokyo KYODO in English 0849 GMT 4 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 4 KYODO—A newly established Japanese company will start producing a program for broadcast by a Chinese radio station, beginning this year, company officials said Wednesday [4 January].

The Tokyo-based FM Tianjin will produce the program about the Japanese economy, society and culture for China's Tianjin radio station as part of efforts to promote bilateral exchanges, the officials said.

The AM/FM station, whose news, music, traffic information and other broadcasts cover Beijing, Tianjin, Hebei Province and Shangdong Province, has about 100 million listeners, they said.

They said the Japanese-produced program will feature Japanese popular music, and reports on Japanese companies, new products, and Japan-China sister cities, as well as Japanese language lessons.

The program, including commercials for Japanese companies, will be broadcast from 7 to 9 P.M. daily, the officials said.

#### **Keidanren Urges Deregulation, Greater Creativity**

*OW0301093095 Tokyo KYODO in English 0813 GMT 3 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 3 KYODO—Shoichiro Toyoda, chairman of the Federation of Economic Organizations (Keidanren), on Tuesday [3 January] released his statements for the new year, calling for the upbringing of "creative" people and further deregulation.

Keidanren will set up a special task force team within the organization for that purpose, Toyoda said in the written comments.



Toyoda said, "At the start of the era of big global competition, Japan is faced with a 'deindustrialization' crisis in the manufacturing and financial sectors."

It is very important for the nation to infuse vitality and creativity into society by carrying out radical deregulations and reducing tax burdens on corporations, he added.

As for the priority areas Japan should tackle in 1995, Toyoda pointed to ensuring economic recovery, furthering deregulation, bringing creative people into the workforce and expanding international exchange.

**Doyukai Urges Tokyo To Implement Deregulation**  
OW0301092995 Tokyo KYODO in English 0815 GMT  
3 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 3 KYODO—Japan should recover its market mechanism by accelerating deregulations for businesses to revitalize its economy, the Japan Association of Corporate Executives (Doyukai) said Tuesday [3 January].

The call appeared in the major business group's annual statement for the new year.

In the statement, the group criticized the government as halfhearted on structural reform of the Japanese economy.

Although the nation's economy has entered a recovery phase, there have been "no visible results" seen, it said, and called for an early dissolution of the House of Representatives for general elections.

The group said that existing regulations on businesses contributed to the nation's social stability and rapid economic growth in the postwar era but many of the rules have become obstructions for improving the quality of people's lives or strengthening industry, it said.

Japan "should abolish such regulations to expand the stage of the private economy that moves based on the market mechanism," Doyukai said.

Japan should be a leading advocate of a market economy and free trade, the organization also said, and called on the government to invite the European Union as an observer to the forum of the Asia-Pacific Economic Cooperation scheduled for November in Osaka.

**LDP's Kono Cautious About Early General Elections**

OW0401081095 Tokyo KYODO in English 0738 GMT  
4 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 4 KYODO—Foreign Minister and Liberal Democratic Party (LDP) President Yohei Kono has expressed caution about an early general election for the House of Representatives,

pointing to possible negative effects on the budding economic recovery in Japan.

"There is no good reason for dissolving (the lower house) at the moment," Kono said in an interview with KYODO NEWS SERVICE.

"We must at all costs avoid putting a brake on the upward trend in the economy by dissolving the lower house."

"The planned election of the House of Councillors in the summer will provide a sufficient opportunity to find out people's opinions about politics," he said.

Kono brushed aside the idea that the ruling coalition is lukewarm about a snap poll because their plans for cooperation in such an election are not going smoothly.

"We would like to wage joint election campaigns with our coalition partners in a serious manner," he said. "If we do it, we will do it thoroughly."

The LDP forms the coalition with the Social Democratic Party (SDP), headed by Prime Minister Tomiichi Murayama, and new party Sakigake [Harbinger], a tiny LDP splinter group headed by Finance Minister Masayoshi Takemura.

Kono played down any destabilizing effect of actions by the New Democratic League, an SDP intra-party group that is advocating the early establishment of a new party to supersede the SDP.

"It is an internal affair of the SDP. I hope the SDP will put its house in order after sufficient debate," Kono said. "I have no real worries about the group's impact on the ruling coalition."

Nevertheless, the LDP president made clear his ambition of his party monopolizing power again, saying that every party aims at handling government administration on its own.

The LDP lost its grip on power in the summer of 1993 after almost four decades of often scandal-tainted but unbroken rule.

Kono said the newly created opposition party Shinshinto (New Frontier Party) should serve as a useful rival to the ruling coalition.

"The existence of a good rival is important. Without a good rival there is no progress," he said.

But he added that he considers Shinshinto is actually ruled by Ichiro Ozawa, the opposition's powerful strategist and the party's secretary general.

"If you see that the secretary general was elected first, even before the party head was chosen, it is clear who calls the shots."



Shinshinto lawmakers last month elected former Prime Minister Toshiki Kaifu as the first party president, but the election came after Ozawa was put in the No. 2 post in an uncontested election.

Kono displayed skepticism about growing calls for a two-party system as voiced mainly by Ozawa and other opposition leaders.

"It won't work if you create two parties by simply following a political theory. We will go our own way."

"I don't know how other parties will split or join together. The LDP will follow its current path," he said.

#### **Interview With Ruling Coalition Leaders Reported** OW0401061595

[FBIS Editorial Report] Tokyo NHK General Television Network in Japanese at 2330 GMT on 1 January carries a recorded 80-minute New Year special program entitled "New Year Interview With Political Party Leaders; Part One—the Leaders of the Ruling Coalition." The interview is conducted separately with Liberal Democratic Party (LDP) President Yohei Kono, Social Democratic Party of Japan (SDPJ) General Secretary Wataru Kubo and Sakigake (Harbinger) head Masayoshi Takemura. Interviewers are NHK commentator Takashi Yamamoto and NHK announcer Atsuko Yamada. Where and when the interviews were conducted is not specified.

At 2332 GMT, the interview with LDP President, Deputy Prime Minister, and Foreign Minister Yohei Kono begins. He is asked if he feels the LDP and SDPJ think differently. Kono says he does not find the SDPJ's thinking difficult to tolerate.

Asked how he evaluates the Murayama Government's performance over the six months since the launch of the LDP-SDPJ-Sakigake coalition, Kono says: "We have carried out many tasks over the past six months. Political reform was enacted during the extraordinary Diet session last autumn, while bills on pension and tax reform were also adopted. In addition, a GATT agreement on establishing the World Trade Organization was ratified, and a law on relief for the victims of the atomic bomb was enacted. Those issues, over which there was deadlock at one time, were settled at the extraordinary Diet session.

"Moreover, on Japan-U.S. economic framework talks, we have reached agreement on some trade sectors, and Japan-U.S. confidence has been restored.

"Looking back on those achievements, I realize, no matter how people evaluate the government, that we have solved many issues."

Asked whether the government can achieve satisfactory administrative reform, Kono says: "I think it is possible."

He adds: "Since the prime minister has given strict instructions, I think satisfactory results will be steadily achieved."

He is then asked about the progress of work to review the government-backed special status corporations. Kono notes each special corporation has own reasons for existing, but says cabinet ministers are taking the initiative in promoting work to disband, privatize, or consolidate special corporations.

He adds: "Another important task under administrative reform is to carry out deregulation. There are voices both at home and abroad calling for implementation of drastic deregulation, and we have to keep such views in mind in promoting administrative reform."

Yamamoto then turns to the issue of reform of the LDP. Citing the draft of the party's new manifesto, which refers to the party's views on the constitution, Yamamoto says the LDP seems to have withdrawn its previous insistence on revision of the constitution and asks whether the party's position on the issue has changed.

Kono says: "Several decades have past now since that position was adopted, and the party's new manifesto acknowledges that the themes of the existing constitution—such as the maintenance of liberalism or democracy, and the defense of fundamental human rights—have taken root in Japan.

"However, in the manifesto we have specified that it is necessary to discuss with the people whether or not the constitution can meet future needs."

He is then asked if he thinks it possible that party factions can be eliminated.

Kono says: "Yes, I think it is possible." He notes, in particular, that party factions become less meaningful under the new single-seat constituency system and with the new Political Fund Control Law.

Yamamoto says that the recent work on the budget has shown signs of a revival of zoku-giin (the powerful interest groups headed by senior Dietmen that control appropriations and influence the policies of the ministries that oversee Japan's major domestic sectors) and asks for Kono's opinion.

Kono says: "This is a very difficult question. If we categorically deny the necessity of zoku-giin, the leadership in making administrative decisions would be taken by the bureaucrats."

He explains the merits of zoku-giin, but stresses the party will prevent a rise of the previous cozy relationships between zoku-giin and certain organizations.

Asked about the possibility of a cabinet reshuffle before the next ordinary Diet session, Kono says: "I think the prime minister probably does not feel he has to reshuffle the cabinet. I have never talked about this with him."



At 0056 GMT, the subject turns to the issue of political realignment that affects each party's election strategy.

Yamada asks Kono his views on the recently founded New Frontier Party (NFP). Kono says it is important to have a good rival, but says he will have to watch how the NFP performs before judging whether or not it will make a good rival.

Yamamoto then asks how he views the continuing moves within the SDPJ to form a new party.

Kono says: "We want to give full support to the Murayama Government to stabilize politics, because we think stabilizing politics will lead to stabilization of society and the economy. For that reason, I do not want to see problems within the SDPJ."

He urges SDPJ members to see intra-party problems in perspective.

Asked about the possibility of forming a new party with the SDPJ, Kono says: "I am not thinking about it at the moment."

On the issue of relations with Sakigake, he says the LDP wants to keep its current good relationship with the party.

He is then asked about the timing of a lower house general election under the new electoral system.

Kono says: "If a general election were to be held now, it would cause a political vacuum and have a negative impact on the economy. We have to avoid this. The prime minister is the person who has the exclusive right to dissolve the Diet. This is not a matter I should intervene in, but we have to consider the stability of society and the restoration of the economy."

Asked how the LDP will deal with the labor unions, Kono says it is his intention to make every effort to achieve a mutual understanding with them. The interview with Kono ends at 0010 GMT.

The second interview is with SDPJ General Secretary Kubo, who first reviews highlights of the Murayama Government's performance, saying that what the coalition government has achieved is worthy of note.

On the issue of administrative reform, Murayama's next task, he says: "This year, we will come to grips with a difficult issue: Administrative reform. The Murayama Government's leadership will be tested. We will have to show our ability to deal with this issue. I think this will be a real test of the Murayama cabinet—whether or not it can get results by carrying out administrative reform."

Commentator Yamamoto raises the SDPJ's internal problems, including the possible secession of the New Democratic League (NDL) policy study group from the party as part of moves toward forming a new party.

Kubo says: "Ever since 1 October, when I proposed the formation of a new party composed of democratic liberals, I have consistently said that our move should not lead to the dissolution or splitting of the party."

He adds: "The formation of a new party should not lead to political turmoil or reduce the effectiveness of the coalition government."

Asked if he wants to urge NDL members not to leave the SDPJ, Kubo says he wants to discuss the issue with them to see what they are thinking. He reiterates the significance of his idea of forming a new party, noting the need to draw together democratic liberals from various fields.

He also discusses the background of the party leadership's recent decision to hold a party convention in February.

Asked how he will take responsibility if NDL members leave the party in protest against the party leadership, Kubo says: "Taking responsibility is a small thing. I have something in mind. But what I have to do, as general secretary of the SDPJ, whose chairman is the prime minister, is to carry out the party's contribution to Japanese politics." He says he intends to open the party convention as planned and without a hitch.

He is then asked about the timing of the next general election. Kubo says: "Now is not the time to hold a general election."

He adds the party should prepare for elections depending on how the other parties moves. The interview with Kubo ends at 0035 GMT.

The program then carries an interview with Sakigake leader and Finance Minister Takemura.

He says administrative reform is the next important task facing the Murayama cabinet, saying his ministry will take the initiative in promoting it.

He is asked about the SDPJ move toward a regrouping of political parties.

He says: "Sakigake wants to further act in concert with the SDPJ in working out policies. No matter whether the third political force is created or not by the end of this year, we should not let the LDP and the NFP control Japan's politics."

"It is desirable that a third and even a fourth political force should exist."

Asked about the possibility of linking up with the NFP in the future, Takemura says: "There is a motley assembly of politicians in the NFP. However, despite the fact that some parts of its policy are unclear, its policies are broad and we can cooperate with each other in many areas."

Asked when he thinks the lower house will be dissolved for a general election, Takemura says: "Eligible voters will be confused if a general election is held at a time when the political situation is in turmoil."



He adds that the creation of the political framework is needed before a general election can be held.

The interview with Takemura and the program end at 0050 GMT.

### **JCP Head Criticizes Coalition Governments**

OW0401064595 Tokyo KYODO in English 0521 GMT  
4 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 4 KYODO—The successive coalition governments of Prime Ministers Morihiro Hosokawa, Tsutomu Hata and Tomiichi Murayama are not reformers and have kept the status quo in terms of Japan's defense arrangement with the United States and economic policy priorities, Japanese Communist Party (JCP) Presidium Chairman Tetsuzo Fuwa said Wednesday [4 January].

Fuwa made the remark in a New Year speech to party members at the party's national headquarters.

He said the way "to distinguish reformers from those who are not" is whether they criticize "policies of placing priority on the business community and big businesses linked to money-dominated politics as well as the Japan-U.S. Security Treaty...", he said.

The three successive coalition governments have made things worse despite their rhetoric of political reform, Fuwa said.

He condemned non-JCP political parties as forming or leaving coalitions irrespective of any policy ideals.

### **Lower House Members on Constitutional Revision**

OW0201054895 Tokyo MAINICHI SHIMBUN in  
Japanese 27 Dec 94 Morning Edition p 1

[FBIS Translated Text] In December the MAINICHI SHIMBUN surveyed all members of the Lower House on the Constitution and 402 members replied. The results of the survey showed 42 percent of them thought that "it is good to keep the Constitution as it is" and 23 percent of them said that the "Constitution should be amended." Thus, the number of lower house members who favor keeping the present Constitution intact far exceed the number who favor amending the Constitution. A majority of lower house members affiliated with the ruling Liberal Democratic Party [LDP], which is in the process of reassessing its policy of "enacting an independent constitution," said that the "present Constitution should be rewritten," showing the deep-rooted argument within the LDP for amending and reassessing the Constitution. A majority of lower house members affiliated with Shinshinto [New Frontier Party] said that "it is good to keep the Constitution as it is," but the views of the Constitution of the nine parties and factions forming Shinshinto were found to greatly differ. Eighty-three percent of the lower house members surveyed either "supported" Japan joining the UN Security Council as a permanent member or "supported it with

some conditions attached." The conditions were that Japan should join the UN Security Council within the "scope of the Constitution" and Japan should join it without participating in the use of force.

The results of the survey found that 6 percent of the lower house members surveyed said that "it is good to reinterpret the Constitution, whereas 21 percent of them said that "another approach should be taken to deal with the issue of amending the Constitution, with 21 percent of them refusing to reply. In this way, the situation has changed to the point where it is hard to find differences on the Constitution with only the conventional division of "defending the Constitution" and "amending the Constitution."

By party and faction, 32 percent of the LDP members of the lower house said that "it is good to keep the present Constitution as it is," whereas 34 percent of them said that the "present Constitution should be amended." The LDP has amended the language concerning the amendment to the Constitution in the "New Liberal Democratic Party Manifesto" because of the deep-rooted argument in the LDP for reassessing and rewriting the Constitution.

Replies from Shinshinto drew attention. Thirty-one percent of Shinshinto members of the lower house said that the "Constitution should be kept intact," whereas 21 percent of them said that the "Constitution should be revised." Since Secretary General Ichiro Ozawa, who holds the idea of building Japan into an ordinary nation, has strongly advocated amending and reinterpreting the Constitution, Shinshinto gives the impression that it will seek the amendment and reinterpretation of the Constitution. Twenty-seven percent of lower house members, who were formally affiliated with Shinseito [Japan Renewal Party], "favored revising the Constitution" whereas 29 percent of them said that "it is good to keep the present Constitution as it is." On the other hand, 53 percent of former Komeito members of the lower house said that the "Constitution should be kept as it is," whereas only 2 percent of them "favored amending the Constitution." Forty percent of the lower house members formally affiliated with the former Japan New Party, which has many junior lawmakers, said that the "Constitution should be revised," whereas only 8 percent of them said that the "Constitution should be kept as it is."

Meanwhile, 95 percent of lower house members affiliated with the ruling Social Democratic Party of Japan [SDPJ] and 87 percent of lower house members affiliated with the Japan Communist Party said that the "Constitution should be left as it is," with no member of the two parties favoring constitutional amendment.

On the issue of Japan joining the UN Security Council as a permanent member, 71 percent of Shinshinto members of the lower house "unconditionally supported it." Forty-one percent of the LDP members of the lower



house supported it, whereas 49 percent of them "conditionally supported it." Only 4 percent of SDPJ members of the lower house "supported it," whereas 60 percent of them "conditionally supported it," with 26 percent of them "opposing Japan joining the UN Security Council as a permanent member."

**EPA Head Predicts 'Recovery Track' for Jan-Jun**  
OW0401092995 Tokyo KYODO in English 0809 GMT  
4 Jan 95

[FBIS Transcribed Text] Yamaguchi, Japan, Jan. 4 KYODO—Japan's economy will be on a recovery track in the first six months of this year, Economic Planning Agency [EPA] head Masahiko Komura said Wednesday [4 January].

Speaking to reporters in Yamaguchi, his home town, Komura said, "Government spending on public works projects and private investment in housing remain strong, and private consumption has been picking up."

"Even after the scorching weather last summer, repurchasing demand [as received] for automobiles and electric appliances became notable. This is fueling corporate confidence and investment in plant and equipment," he said.

As for the government projection of economic growth for fiscal 1995, starting in April, Komura said, "A 2.8 percent growth (in gross domestic product) projection is often thought to be too high, but I believe it is attainable based on the current economic situation."

"Many private economists project the growth rate will be around 2 percent, but I hope all sectors do their utmost to achieve the government projection level," he added.

**Reform Urged for Better Economic Future**

952A0225A Tokyo CHUO KORON in Japanese Dec 94  
pp 42-55

[Article by Hiroshi Takeuchi, director, General Research Center, Long-Term Credit Bank of Japan]

[FBIS Translated Text] **Third-Generation Japanese Economy**

If we refer to those who participated in the recovery of Japan immediately after its defeat in World War II as the first generation, we are about to enter the age of the third generation. The Japanese economy which operated under favorable conditions for 50 years has now entered an unfavorable cycle, but I, as part of the second generation, would like to propose some bold reforms so that the third generation composed of the grandchildren will not have to suffer from adverse conditions.

**I. Concerns of the Happy Age**

There are few nations that grew so smoothly, maintained a peaceful society, and whose people enjoyed a happy life as was the case with Japan in the 50 years since the end

of World War II. Needless to say, the 10 years following defeat in war were saw a series of difficulties. Those were the days when the new left created turbulence, and subsequently there were two oil shocks.

However, our standard of living improved significantly; we live in rooms that are maintained at comfortable temperature and moisture levels in summer and winter, we engage in weekend drives, and overseas trips have become a routine matter. Among industrialized nations, Japan has a very low crime rate and the average life span is the longest of all nations.

During the same period, many of the world's nations experienced difficulties incomparable to anything that happened in Japan, including stagnant economies and social unrest. The United States waged a struggle with the former Soviet Union during the Cold War, resulting in economic imbalances and stagnating growth. Further, as is typical with world leaders, it has chosen to defend the principles of democracy, resulting in the futile deaths of young men on the battlefields of Vietnam and, more recently, the shouldering of emergencies in the Gulf war and Haiti to perpetuate U.S.-style justice.

Germany is challenged by a major project in a century fraught with difficulties to integrate East and West Germany. Great Britain is socially encumbered by ancient systems, is unable to stem its decline in economic strength, and individuals with superior potential are choosing to emigrate to the United States and Canada for greener pastures.

Russia suffers from turbulence both politically and economically, and the nations of Eastern Europe have been thrust into the world markets of uncontrolled competition with inferior industrial capabilities. During Mao Zedong's reign of the Great Leap Forward policies and Cultural Revolution, China suffered setbacks economically, geographically, and psychologically, leading to the deaths of several million people.

When one views those facts, Japan's well-being is like a mystery. Japan's status was made possible only because individuals of our parents' age and those of our age worked diligently and because our nation was led by capable people.

However, the fact that things went well in the past does not mean that the future will see more of the same. The wisdom of elders dictates that, when good times last for a while, we must expect bad times to follow for which we must be prepared. Global history indicates no nation has enjoyed growth and good times forever.

If we consider those who restored Japan immediately following World War II as the first generation of the postwar period, we are now entering the age of the third generation. If we consider the noble patriots at the end of the Tokugawa government days who reformed Japan into a modern nation as the first generation of modern



Japan, Japan's third generation was thrust into the Pacific War and died in vain, while Japan was scorched into a barren field.

I am of an age that places me in the second generation of the postwar period, but I am overwhelmed with the concern that the third generation may face an unfortunate era. And, our grandchildren's era may be plagued by extremely terrible conditions.

## II. On to a Bad Cycle

In any event, the world is a place where "good and bad luck alternate like the strands of a rope," and there is a good and bad side to all things.

Japan suffers from a dearth of natural resources and is densely populated, requiring, from the Meiji era, that Japanese work hard, expand exports, and earn foreign currency. Particularly, Japanese aggression in neighboring countries made a defeated Japan a target of global repugnance and there was a strong feeling of insecurity that no nation would come to our aid even if we were threatened by starvation.

The Japanese Government exerted effort towards and achieved remarkable success in expanding exports, obstructing imports, and maximizing foreign currency reserves, and building a society in which incomes were extremely equal and one that is safe and disputes are minimal so that a people with limited resources could survive while sharing on an equal basis.

While the Japanese economy achieved growth led by exports, it had no choice but to become a part of the world economy, face a sustained strong yen, and now a yen with an exchange rate of less than 100 yen to the dollar. If foreigners find employment in Japan and convert their earnings into their national currencies, they realize big incomes and enjoy the safe and clean Japanese environment, resulting in a sharp increase in illegal immigrants and as many as 15 missing persons among athletes who came to Japan to participate in the Asian Games.

Japanese companies find themselves at a disadvantage in manufacturing goods in Japan because of the abnormally high wages, land values, and the strong yen, even though it may be a safe and clean country. While East Asians seek employment in Japan for economic reasons, Japanese firms continuously relocate plants to East Asia and elsewhere overseas for the same economic reasons.

Japan is a nation poor in natural resources, but as a result of exerting efforts and succeeding in achieving stable growth despite being an overpopulated nation, economic trends are creating changes whereby foreigners converge into Japan, while Japanese firms relocate rapidly overseas.

Further, the relocation of large numbers of the younger generation from rural areas to big cities and industrial belts in search of jobs during the growth stage of the

Japanese economy caused a collapse in traditional rural communities which had durable qualities akin to clay, while forming fragile societies in major urban and industrial areas consisting of small families living away from relatives. Special characteristics and scenic spots in cities have been lost, and there has been a sharp increase in the number of senior citizens who live alone or are bed-ridden without personal care.

Scenic views of mountains, seas, and rivers have been altered, and there is no scarcity of wildlife facing the threat of extinction. We have come to the point where we are dependent on high-priced bottled water. Just like residential communities, the natural environment has also been altered drastically.

Somehow, we cannot help but feel that the Japanese economy is about to shift from a favorable cycle to a bad cycle. Human society presents a sad situation, and there are times when we think we are making an effort to produce favorable results, but that very effort produces extremely unfavorable results from another angle. Altering the unfavorable results into favorable results requires a major effort. If we should misdirect our efforts, we definitely cause ourselves to become mired in a bad cycle.

## III. Strong Yen and Hollowing

An index that most directly reflects the difficult situation facing the Japanese economy is the value of the yen. The value of the yen stood at 220 to the dollar 10 years ago, but it has now climbed to 100 yen.

Typical export industries such as domestic appliances, electronics, and automobiles have displayed genuine durability by demonstrating the capability to remain profitable even at the 100 yen to the dollar rate.

Export industries in these categories have rapidly installed robots and other automation equipment, redesigned products to attain cost effectiveness in the area of manpower and other expenses, but the most important strong-yen countermeasure has been the transfer of factories overseas.

Many export industries have accumulated long years of experience in the construction and operation of overseas plants and know-how concerning target nation culture, customs, labor practices, education and training, methods of transferring Japanese-style production control and labor management procedures, and skills applicable to negotiations with target nation governments and business partners.

The textile industry and light electrical equipment industry began transferring plants to East Asia before the 1960's. After the 1970's, the domestic appliance industry, automotive industry, and general machinery industry transferred plants to Europe and the United States to resolve trade friction. Initially, a cautious approach was adopted involving the introduction of plant facilities from Japan as well as major parts and



materials from Japan and initiation of production on a small scale. As soon as they learned local production techniques based on such pilot plants, they began a gradual expansion of production, supported the arrival of Japanese parts and materials industries, and shifted to procurement from local firms while expanding local plants into full-scale production.

In the latter half of the 1980's, a variety of large and small firms including large export industries, supporting parts industries, and regional industries from various parts of Japan relocated their plants to East Asian nations with low wages and high-quality labor.

Globalization of production by export industries progressed at a significant pace. There are cases where strategic parts are made in Japan and end product assembly takes place in East Asia, and cases where parts are made in East Asia and end product assembly takes place in Japan. Then, there is the case where materials precision-fabricated in Singapore are used to make parts in Bangkok, sent to Mexico for assembly into major components, and final assembly of the end product is handled in the United States for export to Japan.

There are a considerable number of export industries where the ratio of production in overseas plants has reached 40 percent. The ratio of foreign employees has reached 40 percent and a considerable portion of the capital is also raised in the host nations. Most of the textiles and apparel industry and almost all of the middle and lower range products of the light electrical, camera, and electronics industries are produced in East Asia, supported by host country design and new product development staffs, and there are many such products where related product design and development capabilities no longer exist in Japan.

Generally speaking, among domestic appliance, electronics, precision machinery, and regional industries, primary plant facilities as well as middle and lower range product production facilities are being considered for transfer to East Asia.

Medium and small parts makers in the electrical and electronics industries have been highly appraised by host country users in terms of their methodical approach in accurately adhering to contracted quality, quantity, and delivery deadlines and superior service stance wherein they are receptive to unreasonable demands of customers, leading to the smooth growth of overseas plants.

Many export firms claim they can survive even with the yen valued at 90 yen to the dollar. Survival under such an exchange rate can be achieved by lifting the overseas production ratio from the current 40 percent to 60 percent. More than just a few firms have already secured adequate overseas factory sites and can increase production capacity by converting single-shift operations to two- and three-shift operations.

The overseas production ratio for Japanese manufacturing industries as a whole is about 7 percent, but it

appears that the export industries will take the lead in expanding overseas production and that Japanese industrial hollowing will progress rapidly.

The foremost reason for that development is the rapid growth in East Asian nations and the possibility that Japanese economic capabilities will be absorbed by the East Asian economies.

#### IV. Growth of East Asia and Plant Relocation

East Asian people are highly motivated. ASEAN and China are witnessing a boom in sales of major domestic appliances and are now in the initial stages of an automotive sales boom. The younger workers of these nations have a clear-cut lifetime goal of enhancing living standards, and they work hard without shunning long hours and inferior working conditions. Those conditions are identical to the inferior working conditions that we faced from 1945 to 1955. It did not bother us at all to see the destruction of the environment, cutting of forests, or the reclamation of river beds for the purpose of building factories. Rather, it made us happy to witness industrial expansion.

Large-scale industrial complexes, infrastructure, and educational facilities are rapidly being built around major urban areas and along coasts and rivers in the nations of ASEAN and China.

East Asian youngsters have skillful hands. Unlike Japanese children, they have learned to use their hands from childhood by sharpening pencils with knives and braiding rope. A high unemployment rate enables employers to hire people who are capable of persevering in detailed, repetitive work.

Reportedly, a comparison of assembly lines for electronic products in China, Thailand, and Malaysia with identical assembly lines in Japan shows that the productivity of the latter drops by about 10 percent. They say the foremost reason is that assembly lines in those nations are staffed with selected female employees from 18 to 20 years of age.

The wages of these female employees are anywhere from 1/15th to 1/30th of wages in Japan. East Asian nations enjoy political stability and have embarked on spectacularly rapid growth. A flood of direct investments is being made by Asian NIE's [newly industrializing economies], Europe, and the United States. Needless to say, growth of local firms is also conspicuous. At one time overseas Chinese capital was invested only in ventures where the investment could be recovered on a short-term basis, but they are now involved in long-term investments such as heavy industry as well as very long-term investments such as transportation and transportation facilities.

Rapid growth in East Asia has been accompanied by diversified industrial growth and sharp expansion in foreign trade covering not only consumer goods, but capital goods and production goods. However, these



countries do not possess the technology to manufacture complex automation equipment or electronic products. As economic growth intensifies in the Asian NIE's, imports from Japan increase sharply for machine plants, crucial electronics, and electrical and mechanical parts. Increasing capital investment by local and foreign firms in East Asia has caused a sharp increase in demand for capital goods from Japan.

The same situation exists in the United States. As an example, during the recent several years, there has been increasing global demand for semiconductors, and investment in semiconductor manufacturing facilities has expanded in Europe, the United States, and East Asia. About 70 percent of semiconductor manufacturing equipment is made solely by Japanese firms and exports from Japan are increasing sharply.

Despite the extremely high value of the yen, Japanese exports have continued to expand because of rapid growth in East Asia and monopolistic production of superior capital equipment. During the past four years, exports of capital goods calculated in dollars have grown at an annual rate of 9.6 percent.

When we think about it, we come to the conclusion that Japanese firms are making a spectacular contribution to the world economy, especially the East Asian economy. To begin with, Japanese firms are operating local plants with superior attributes throughout the world. Most noteworthy is that they are playing a leading role in the industrial growth of East Asia. Furthermore, they are supplying superior capital equipment and contributing to the enhancement of productivity internationally.

#### **V. Risks Associated With Premature Structural Change**

It can be said that transfer of technology through direct investment overseas and export of high-tech products of this nature are appropriate functions of mature nations. It is very logical that production of low-technology products such as 100 yen lighters, calculators, and T-shirts is being transferred overseas. Currently, such moves are occurring throughout Japanese industry, but they are closely related to the economic expansion of East Asia and, in the long-term, will bring major benefits to Japan because the growth of East Asia translates into the expansion of export markets for high-tech Japanese products and an expansion in the import of low-price products.

However, that process requires consideration of two issues. First, there is the requirement that the transfer of diversified manufacturing plants to East Asia and the establishment of high-density specialization must be premised on the condition that the East Asian nations stabilize politically and absolutely refrain from invoking unfavorable government actions such as discrimination against foreign capital, export restrictions, and suspension of repayments.

However, the East Asian political situation is extremely unstable. Causes for political instability include economic decline in North Korea, military expansion in

China in terms of nuclear weapons and missiles, independence movements of minorities in China, the alarming expansion of overseas Chinese capital investments in Southeast Asia, the rise of Islam in East Asia, and regional differences and differences between the rich and poor in the Chinese economy.

If destabilizing factors intensify in the form of rising inflation and expanding unemployment, the strong possibility exists that East Asian politics and society will suffer from major turbulence.

The Japanese Government has neither the desire to aggressively eliminate such politically destabilizing factors in East Asia nor a plan for crisis management in the event a major country like China acts in defiance of economic rules.

In recent times, Japan has indicated a diplomatic plan whereby it hopes to participate as a world leader as a permanent member of the United Nations, but it lacks any signs of taking serious action in support of that end.

The only realistic measure that Japan is taking is to expand its relations with the United States and to rely on the influence of the United States to cope with political instability and crisis management. The United States is a major importing nation with a huge trade deficit. The United States is an important export destination for all East Asian countries. In addition, in comparison to other industrialized nations, the United States is a nation that takes measures to actively protect market principles. Moreover, it possesses immense military power. The U.S. political presence is overwhelmingly dominant in East Asia.

Japan is even complying with U.S. demands that are not compatible with U.S. market economy logic as a means of maintaining close Japan-U.S. relations. Japan is hoping to protect high-density industrial specialization in East Asia under the aegis of another nation. Japan is a truly undependable nation.

Second, there is the problem of excessively rapid transfer of manufacturing plants to overseas areas, and excessive acceleration in expansion of imports. In recent years, capital investment has declined significantly for three years in a row and will probably decline again next year for the major reason that domestic capital investment is being shifted overseas along with an expansion of capital goods exports.

Further, the limited impact of this summer's extremely hot weather in boosting the Japanese economy was the result of a diverse range of consumer goods being produced overseas along with increased imports. Major firms in the steel and petrochemical industries are lowering prices to compete with imports.

If the strong yen continues to be valued at levels higher than its true purchasing power, the speed of industrial hollowing will accelerate and employment will decline. Many graduates were unable to find employment this



year. Colleges and graduate schools are serving as a sanctuary for the unemployed.

#### **VI. Costs of a Secure Society**

Restraining the excessive pace of Japanese industrial hollowing will first require the alteration of the abnormally high domestic price levels. The abnormally high domestic price levels are pushing up domestic wage levels and forcing manufacturing plants into overseas areas.

Moreover, even with a strong yen, domestic prices stubbornly refuse to fall. To begin with, prices in the service industries are affected only in a very limited way by the value of the yen. As an example, high beauty parlor rates do not mean that we can make an overseas trip each time we are ready to see a beautician.

Distributors of imports can lower prices in response to the strong yen, but the rate of price reduction is lower than the increased value of the yen. For example, a doubling of the yen's value does not mean that industry sales will double in terms of units sold. If prices were reduced in direct relation to the increased value of the yen, there would be a risk that sales volume would decline in monetary terms.

Additionally, even if the yen rises in value, the unit cost for transportation, store rental rates, interest costs, and employee wages remains unchanged. This means that distributors will probably keep price reductions below the rate of increased value of the yen.

To begin with, the distribution services industry and industries where small firms proliferate, such as in the agriculture and fisheries sector, were protected by a variety of regulations, competition was restricted, and they benefited from the principle of mutual prosperity. Accordingly, it was very difficult to enhance productivity through the expansion of operating scale.

As an example, in the distribution industry, competition was eliminated for a long time through restrictions imposed on the opening of large stores to protect small and medium businesses. Further, even if the giant manufacturers imposed suggested pricing systems on keiretsu sales stores, it did not constitute a violation of the law and provided for the mutual prosperity of giant manufacturers and numerous keiretsu sales stores.

In the rice-growing sector, the government prevented dropouts by imposing strict controls on production, distribution, and prices.

The removal of competition based on such generous government protective policies eliminated the desire to improve productivity and maintained costs at a very high level. Despite the stronger value of the yen, such conditions make it extremely difficult to lower prices.

However, on the other hand, Japan has the lowest unemployment rate in the world; enjoys a stable society, clean towns and villages; and is a wonderful nation that

enjoys the lowest crime rate of any nation. Life expectancy is also at the highest of global levels.

It was necessary for Japanese society to remain stable during the period when the world existed under the Cold War structure. Japan was an economic power positioned at the frontier of the anti-Soviet military alliance, and it was desirable for it to maintain a stable social order with a strong anticommunist defensive posture. Accordingly, fragile small and medium businesses were protected.

Both the Liberal Democratic Party and the Social Democratic Party of Japan ran elections with the public commitment to protect fragile small distribution services and agricultural industries and then used those sectors as strong electoral bases. Small businesses that could not have survived without government protection became a powerful political pressure group and consolidated their votes in support of specific politicians.

Such protective policies caused the distribution, services, and agricultural industries to delay system reform to improve productivity. A countless number of old competition-limiting regulations and systems still exist in industries such as taxi, freight movement, inland sea transportation, regularly scheduled bus routes, and gasoline, rice wine, and rice distribution.

The result is that Japanese consumers pay prices that are 40 percent higher than those in Europe and the United States. In effect, calculations indicate that we are incurring extra costs per household at the rate of 3.5 million yen per annum to maintain a safe and equitable society. This particular cost pushes up wages. Resolution of this problem will require bold deregulating actions.

#### **VII. Expansion of Manufactured Imports**

The most effective method of easing the pace of hollowing is to avoid abnormally high yen valuations. That will require an expansion of imports. For the short term, there will be a need for a \$40 billion expansion in imports.

The basis for this estimate follows. The current accounts surplus is \$130 billion. This means that Japan's export industry converts the \$130 billion in export-import differential into yen to apply the funds towards the payment of wages and other costs.

Buyers of dollars include importers and individuals who invest overseas. During the bubble economy period, domestic interest rates were extremely low and funds exceeding the current accounts surpluses were invested overseas and limited the upward valuation of the yen.

But now it is different. Institutional investors, financial institutions, and some major corporations engaged themselves domestically and internationally in speculative investments and loans entailing major risks during the bubble economy, suffered losses which threaten their very existence, and have no strength to increase overseas investments.



Even if the costs of overseas investments associated with the relocation of manufacturing plants, investments to establish overseas joint ventures, and routine purchases of dollar-denominated securities by institutional investors such as life insurance companies and financial institutions are totaled, they translate into a demand of about only \$90 billion.

Of the \$130 billion supplied through current account surpluses, there is a demand for only about \$90 billion. At present, the remaining \$40 billion is being invested in short-term instruments in the Eurodollar markets. These surplus dollars are the direct cause of a cheap dollar and high yen.

If imports were increased by \$40 billion, the yen might cease to rise and might swing toward a lower value. The value of the yen rises when the Japanese Government rejects demands from the United States to expand imports during Japan-U.S. economic negotiations, because the assessment is made that no reductions will take place in the \$40 billion surplus.

The strong yen has resulted in a further expansion of domestic and international price differentials. It is now said to be the age in which leisure pursuits of people with discretionary income consist of overseas trips. They say that mature ladies who have finished raising children make tour group trips to the United States and return with suitcases full of sundry merchandise such as T-shirts, shoes, reading glasses, and candy. They say the ladies engage in impulse buying because of the exceptionally low prices found in "factory outlets."

The expansion of the domestic-foreign price differential has begun to be accompanied by a major change in Japanese distributors. Regulations on large stores have been substantially relaxed and the conclusion is being reached that price-maintenance policies of major manufacturer keiretsu retail stores are illegal. At about the same time, the collapse of the bubble economy was accompanied by a sharp decline in land values.

Suburban areas experienced a rapid influx of price-destroying discount stores which initiated sales of cheap imports and cheap clothing manufactured under contract in places like China. As if influenced by such trends, price-destroying merchandise spread to supermarkets.

Manufacturing firms have increased the ratio of production at overseas plants, simplified design and functions, and are marketing low-price products.

Imports of industrial products are rising sharply; they rose by as much as \$9 billion during 1993 over the prior year. However, it will be very difficult to achieve an increase of \$40 billion. If import dependency of cars and domestic appliances were to increase to 10 to 30 percent, we could achieve a \$40 billion increase in imports, but this would be a very difficult task.

However, if the yen rises to 90 yen to the dollar, if import procedures are simplified, and if regulations are relaxed to simplify the distribution system, there is great potential that imports of raw materials, capital machinery, durable consumer goods, and general consumer goods could increase by about \$40 billion and that exports will begin to fall. In that event, there is no doubt that Japanese firms' overseas production capacity will have been expanded even more, translating into the capability to export goods from such plants into Japan.

The \$40 billion figure is equal to about 1 percent of Japan's gross national product (GNP). If imports are increased to that extent, employment in affected industries will probably fall by 300,000.

#### **VIII. Deregulation and Expansion of Unemployment**

If regulations are significantly relaxed and sharp competition arises among protected industries such as distribution services and agriculture, we will witness the creation of a number of serious problems. When productivity in the distribution services industry reaches U.S. levels, it will not be strange to see an increase of 10 million in the ranks of the unemployed. Additionally, unemployment will increase in industries that fail to survive because of increased imports.

Distribution services and agriculture industries are industries with intimate connections to our lifestyles. Suburban discount stores have definitely achieved spectacular results in terms of price destruction, but more than just a few stores have damaged the scenery with large red banners and huge neon signs.

Retail stores in old urban districts have closed under competitive pressure and old traditional rows of storefronts have experienced closings here and there with some shops being replaced by convenience stores of identical design and stocked with merchandise that is dedicated to the younger generation. The urban areas are becoming very inconvenient places to live for the elderly who cannot drive.

This type of unemployment situation can only be overcome by economic growth sustained by huge "new technology industries." If new industries are created, increased employment can absorb the unemployed, and pockets of empty shops can be filled by specialized retailers, accompanied by economic resources that will enable communities to build new facilities such as music halls.

An ideal situation would be one in which old industries rapidly shift overseas and the attendant increases in related imports are replaced by growth in new-technology industries as well as related exports.

However, regrettably, for the time being, there is no large-scale new technological industry that can cause the Japanese economy to grow. Multimedia is definitely a new technological industry with a future. However, Japanese have a tradition of working in groups, and



deviate from the American culture which calls for individual thinking, creation, and accomplishment of work.

For an individual to work in isolation as they do in the United States and to perform creditably to earn a high income, he must first be able to access, extract, and process a diverse range of characters and images and develop creative concepts, but in a place like Japan where people work together in a large room, where delicate information is conveyed by osmosis and decisions are made after occasional collective brainstorming, multimedia will probably not grow as fast as it will in the United States.

#### **IX. Time for Public Works Investment**

If a large-scale leading industry capable of absorbing a high volume of unemployment is not identified in the near term, it will be time for the government to play a key role. Whether fortunate or unfortunate, Japan is inferior to Europe and the United States in many infrastructure areas, including roads, airports, sewage, urban homes, urban environment, and protection of nature. Additionally, the future will witness an unprecedented increase in the elderly and a sharp increase in social security expenses.

The government has made a decision to implement 630 trillion yen (including land costs) in public works investment over a period of 10 years beginning in 1995. Public works investment will grow at the high rate of 5.5 percent beginning in 1995, and the percentage of GNP associated with public works will rise from the current 10 percent to 11 percent.

It appears that Japanese domestic demand will expand not as the result of a revolutionary technical lead causing capital investment and increased employment, but through expanded fiscal spending by the government. Fortunately, land prices have fallen considerably and it appears they will fall further. That being the case, the ratio of public works investment funds used to purchase land will fall and the ripple effect of public works investments will be enhanced proportionally.

Although very regrettable, sectors in which public works investments are the most needed and where the Japanese economy would increase in efficiency are areas where implementation is difficult. Roads are an example: Although the completion of three major loops around Tokyo would resolve the traffic congestion around Tokyo on weekdays, the construction of the necessary roads will take over 10 years. However, in contrast, major roadways are being built in rural areas where cars are seldom seen.

If cars were prohibited in the center of Tokyo, the streets would become places for intimate association of people, many trees could be planted, and ideal space would be provided for leisure pursuits by the elderly in a senior-citizen society. Needless to say, the spaces would provide good playgrounds for children as well. Europe is in the

process of increasing locations that ban automobiles. However, Japan's urban environment improvement projects tend to fall in the parks and public hall construction category. Urban redesign and redevelopment is a difficult task.

It appears either Inchon in South Korea or Hong Kong will become the future hub airport for East Asia. It appears Japan will not become a part of the world's main air routes, but the construction of large airports is difficult, and it is easier to secure funding for expansion of fishing ports. There is an urgent need for administrative reform.

The existence of many serious problems of this nature demonstrates the advisability of implementing administrative reform and the revision or abolishment of existing systems, of expanding domestic demand even if it means higher taxes, and of reducing export surpluses to the degree possible.

#### **X. Tragic Senior-Citizen Society**

Between now and the next century, Japan will finally become a nation with the highest proportion of elderly in history.

The increase in the proportion of elderly in the population has created the following serious economic problems.

First, an increase in the average life span based on advances in medicine has increased the population that consumes despite the lack of an income and has sharply increased medical costs for care of the elderly and for the terminally ill. Medical costs as a percentage of GNP have already reached 6.1 percent, but the Ministry of Finance predicts that it will probably rise to 9.0 percent.

Second, the birthrate will decline significantly and the work force will soon begin to decline. This will mean that the elderly will increase sharply, but that there will be a decline in the supporting population.

Third, during the high-growth phase of the Japanese economy in the past, large family systems and collective communities disappeared and small families became common and the number of working women increased. Thus, those who can assume the responsibility for caring for elderly parents have vanished. The government has improved annuities to help support the livelihoods of the elderly. The percentage of the GNP occupied by annuities has passed 8 percent and they say it will reach 15 percent in 20 years.

A couple aged 65 or more is entitled to 40 percent of an active worker's income. Because Japanese are no longer faithful to their parents, you might say the government taxes the public heavily to take care of the elderly.

Fourth, the current urban and housing structures make it impossible to support the livelihood of the elderly. Urban streets are designed for use by cars and do not



provide space for the leisurely movement of the wheelchair-riding elderly. Even if a healthy but elderly person takes a short walk, there are no benches on which he can sit to rest.

When an elderly person decides to take a trip via the electric railways, seats designated for the elderly are occupied by the young and when he wishes to cross a street to reach the station premises, he must at times climb the staircase of an overpass. Japanese cricket courts often become lonely places [because of their distance from homes of the elderly].

If such conditions prevail, it would seem that senility will set in at an early stage, even if average life expectancy is extended.

In-home care of the senile and bedridden elderly is difficult. Single homes are built on small parcels of land and are full of staircases and multilevel floors. Condominiums and apartments built in low-rise multifloor structures are often without elevators.

The nation now has a million bedridden elderly. Of that total, 200,000 currently reside in old people's homes. A shortage of help means that they are not given adequate help, but are fortunate to have been admitted. A total of 300,000 are "hospitalized at government expense" as a substitute for admission to old people's homes. Government subsidies for such hospitalization exceeds 10,000 yen per day. Restraints on medical costs require that nearly 10 persons occupy a large room where they are forced to survive without any privacy whatsoever, beginning with bathroom functions.

A total of 500,000 are being cared for at home, but more than a few await openings in old people's homes and at hospitals. Families become stressed and very desperate. There is a significant shortage of support services such as home helpers, day care, and short-term live-in helpers.

Twenty years from now, the population of those 65 years or older will exceed 30 million and the number of bedridden elderly threatens to reach 2 million. It appears the percentage of GNP directed to welfare spending for the care of the elderly will reach 4 percent. Urban and housing structures for such an elderly society must be changed. Collective old people's homes amenable to community living with units of private rooms and living space will probably be necessary. The elderly can sell their present homes to their children and move into facilities of this kind.

It would be desirable to locate old people's homes near kindergartens and elementary schools. It is said that children's voices help prevent senility. It would also be ideal to provide for the contiguous location of old people's homes and hospitals for the elderly.

The future will require the development of nursing robots capable of bathing the elderly. The anti-aging measure of foremost importance is an increase in the birthrate, which will require measures such as a paid

two-year child-bearing sabbatical, improvement of nurseries, and urban areas providing housing adjacent to places of employment.

An aging society translates into many elderly with limited incomes and a high consumption rate and a considerable drop in Japan's savings rate. The Japanese economy will suffer from a declining savings rate accompanied by a sharp increase in elderly consumption and investments for old people's facilities, bringing a substantial decline in the trade surplus of the nation at the beginning of the next century or possibly even a trade deficit. Taxes imposed on individuals of the prime working age will probably be debilitating. The moneyed class may opt to expatriate themselves from Japan.

When the Japanese economy enters the next century, the working population will decline, society will have the resources to barely sustain the livelihoods of the aged, the working population will lose much of its incentive to work because of heavy taxes, and growth will become a scarce commodity.

#### **XI. Road to Globalization**

Should the Japanese economy rapidly develop new high-tech industries which can lead economic growth, then the future need not necessarily be gloomy. Individuals who become unemployed because of the shifting of manufacturing plants overseas, expansion of imports, and deregulation will probably be able to find new employment. Japan will also be able to develop the economic strength necessary to build the hardware suitable for supporting an aged society.

The overseas relocation of major industries such as durable consumer goods industries should cause an expansion in imports from Europe, the United States, and East Asia and an easing of trade friction. For East Asia, Japan should become a very important country because of its role as a major importer of durable consumer goods and general consumer goods and as an exporter of high-tech products. Japan will be able to attain an advantageous position in terms of security.

Japan with a strong yen is an appealing place of employment for foreign scholars and researchers. The Japanese educational system is suitable for educating Japanese of average intelligence, but is not suitable for developing geniuses. Already East Asians with natural-born talent are demonstrating their skills in a highly creditable manner in go, baseball, and popular Japanese songs. Additionally, we see increasing numbers of wonderful buildings throughout our country that were designed by Italian and American architects.

Reportedly, East Asians serve in responsible positions in leading U.S. high-tech industries, including software development. If we were to give proper recognition to foreign scholars and researchers, we should be able to assemble excellent talent. The advantages of a strong yen could be truly exploited if factories were to be shifted



from Japan to East Asia and if East Asian and former Soviet talent were to come to Japan for employment.

We need to provide for venture capital systems enabling such foreigners to raise capital and establish businesses. By so doing, Japan could possibly see the establishment of the equivalent of several of its own Silicon Valleys. If we allow events to take their natural course, the strong yen will be a thing of the past as soon as we enter the next century and Japan will become a mediocre nation. Therefore, we need to assemble outstanding talent as soon as possible. If that happens, Japanese will be stimulated and we may see a change in our educational system. If things go well, Japan can prosper even in the next century.

Even in the area of care for the elderly, there may be a need for a system in which East Asians are educated tuition-free at Japanese nursing schools and then work in Japan for several years to compensate for their schooling. If such individuals work in health and nursing, after returning to their native countries and contribute to advancement of standards in those areas, they will have the same effect as overseas on-site assistance by the Self-Defense Forces nursing units.

An important aspect for the Japanese economy is the use in Japan of superior East Asian manpower. Needless to say, we need to make effective use of all manpower resources in Japan.

If projects concerning the elderly and public works investment were to be handled by regional governments rather than the central government, plans of much higher quality could be devised and implemented. There may be cases where such projects could be handled more efficiently if several townships were to be merged. And there may be cases where even better quality administration could be developed if cities and prefectures were to merge. Delegation of government authority to regional authorities may be a good way to make effective use of individuals in their prime working years and whose population is in a declining phase.

Unless we implement bold ideas of this nature, Japan could well decay into gradual destitution in the days of the third generation. Further, we need not mention that there is a need to continue our efforts at lowering land prices.

#### Recent FTC Financial Hearing Discussed

952A0181A Tokyo KINYU ZAISEI JIJO in Japanese  
21 Nov 94 pp 10-11

[Unattributed article in "Blind Point" column: "Addressing the Follow-the-Leader Mentality: FTC Hearing Shocks Finance Industry"]

[FBIS Translated Text] "The Fair Trade Commission [FTC] has conducted a hearing on financial institutions." This news appears to have been received with considerable shock by a finance industry that has greeted

the liberalization of interest rates on cash deposit accounts with the creation of a carefully devised system. The news was also received by a finance industry that has been roundly criticized for being particularly susceptible to a "follow-the-leader mentality." While some fears have been allayed by the FTC's explanation that its objective was to "deepen its understanding" of the industry, others nervously await the commission's next move.

#### "The Untouchables"

"It's a story right out of *The Untouchables* isn't it?" When the subject turned to the Fair Trade Commission during conversations with officials at public financial institutions, the response was virtually the same even when the expressions used were different.

When the FTC or the Antimonopoly Act is mentioned in a roomful of manufacturing industry executives, it becomes so quiet one could hear a pin drop. The finance industry, however, has defended itself so effectively against regulation that one official in the FTC economics department claims that the industry is "in a certain sense outside the ambit of the Antimonopoly Act."

Of course, this sentiment is not limited to the Fair Trade Commission. The press has complained on a number of occasions that several "industry-wide arrangements" were an "infringement" of the Antimonopoly Act. The issues involved have included certificate of deposit (CD) terms, service charges for account transfers, the method of setting fees for corporate bond trusts, yearend bank holidays, and the share of national government bonds underwritten by securities firms affiliated with private banks.

In fairness, a senior executive at a city [money center] bank complains that the FTC was "draconian" in its use of regulations and that financial institutions were merely "defending" themselves. This seems to be a popular view in the industry. How much more intense this sentiment must have become now that the commission is determined to completely liberalize interest rates on cash deposit accounts. An official in the FTC economics department, in turn, stated that the Antimonopoly Act would be "obeyed" by all financial institutions "without exception." No wonder the *The Untouchables* come to mind when describing oversensitivity to the FTC.

#### Industry Association Question

The FTC, in a timely manner, has conducted survey and hearing to coincide with the 17 October start of cash deposit account interest rate liberalization. The recipients of the survey, the city banks and several regional banks, had until 24 October to submit their written response to the commission; the hearing itself has been going on since the deadline.

The circumstances are similar to the hearings that the FTC conducted when the short-term prime rate was introduced and when housing loan interest rates were



liberalized. But while the survey contained "just about what everybody expected," as one senior executive at a city bank described it, the industry appears to have become sufficiently defensive over a few "vague and trivial" survey items. The survey seems to digress into many seemingly unrelated areas of inquiry covering cash deposit accounts, loans, service charges, and business hours (both for branch offices and ATM's [automatic teller machines]). For example, survey items involving cash deposit accounts not only included methods for setting and changing various classes of interest rates and questions concerning supplemental services, but also the degree to which efforts were made to honor "advertised interest rates" and the degree of "discretion" afforded various branch offices.

In addition, the banks were taken to task in survey items regarding "industry meetings" and "study groups." Here banks answered in the affirmative when asked if they participated in "unofficial gatherings" said to be strongly social in character. This left many of them wondering where this line of inquiry was headed.

The FTC strongly insists that the objective of the survey was to "gain a deeper understanding" of the finance industry. One official said the commission wanted "to find out why it has been so difficult to create competition in the finance industry on the same level as manufacturing industries. We intend to consult these findings when enforcing the Antimonopoly Act."

Since the beginning of interest rate liberalization for regular cash deposit accounts, the press has been concentrating its firepower on the finance industry which it regards as *dango* [collusion] and as encouraging a "follow-the-leader" mentality. But officials are keeping watch calmly. "In many manufacturing industries prices are often essentially the same. Are we to accept this at face value? Why does this result? I would like to see us study price setting mechanisms very carefully."

### Many Strange Practices

Such surveys have been used for appropriate purposes in other industries. The FTC notes that the financial industry is not the only one that "regards itself as victimized." This is understandable. "Since the commission will be monitoring behavior that restricts competition, we first have to know what to look for."

Ever since a former head of the FTC accused the finance industry of "encouraging cooperation based on a follow-the-leader mentality" at a press conference in November 1978, the FTC has perpetuated a hostile image. An official at the commission indicates that there are "many strange practices in the finance industry, the strangest of which being the large number of unofficial gatherings. And we live in a time when information is shared at an unbelievably fast pace."

For this reason, the commission has given serious consideration to cartel patterns. For example, there have

been cases in violation of the law where future pricing information has been shared by companies in the same industry through "orderly behavior." As a result, patterns of common intent are developed without explicit agreements. In the past when a representative from a leading bank (one that held the chair of an industry association) made a statement to the effect that a "service charge decrease was not being considered at this time," the FTC would serve a warning. The same situation is possible in the case of interest rates.

The finance industry is aware of FTC scrutiny as it undergoes interest rate liberalization. "When the FTC investigates whether our financial products and interest rates are sufficiently independent, we will be careful to manage information scrupulously so that we do not incur any suspicion at all." They appear to have tried to ward off such suspicions when completing the comprehensive survey.

At the very least, the survey has certainly communicated the commission's "enthusiasm" for liberalization. How will the FTC put the results of its "study" into effect? The financial institutions, which have only now begun to row out into the sea of "free competition," have good reason to be concerned.

### Average Wage Increase Hits 'All-Time Low'

OW2212140894 Tokyo KYODO in English 1215 GMT  
22 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 22 KYODO—The average wage increase at 2,196 business firms with a workforce of more than 100 hit an all-time low of 3.0 percent in 1994, the Labor Ministry said in an annual survey report Thursday [22 December].

The average wage increase at these firms came to 7,948 yen, marking the third consecutive annual decline, the ministry said.

The average increase represented a drop of approximately 2,000 yen from the corresponding rise of 9,711 yen for 1993, it said.

The figure amounts to roughly half the approximately 14,000 yen annual wage increases in the "bubble economy" years of the late 1980s when Japan saw skyrocketing land and securities prices, it said.

The Japanese economy is still struggling with the economic fallout of the bursting of that bubble.

The 1994 figures marked the fourth straight year that the average percentage of wage increases at companies of this size underwent a year-on-year decline, the ministry said.

In 1993, wages increased by an average of 3.7 percent, it said.

The construction industry was the most generous in 1994, boosting its wages by an average of 10,076 yen.



Workers in the mining industry were the hardest hit with average wage hikes hovering at around 6,717 yen, it said.

### **Wage Hikes in 1995 Opposed**

OW3012103794 Tokyo KYODO in English 1023 GMT  
30 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 30 KYODO—No wage hikes should be given next year in view of nearly flat economic growth, a powerful business group says in a draft report that sets the trend for annual spring wage negotiations.

"There is no room for wage hikes at a time when no improvement in productivity is seen on the national economic front and inflation at the consumer price level is down," says the draft report by the Japan Federation of Employers' Associations (Nikkeiren).

The report, a copy of which was obtained Friday [30 December] by KYODO NEWS SERVICE, insists that Japanese wages should be assessed in terms of dollars because they are now at one of the highest levels in the world.

The draft also notes the need to review the longstanding practice of industries seeking similar wage hikes during the annual spring labor offensive, known as "shunto," saying that wages should be determined on an individual company or industry basis.

The report takes issue with a practice in which industries with relatively low productivity that do not face international competition set slightly higher wages than the trend-setting industries such as steel, electric machinery and autos.

Although the draft does not name such industries, it apparently refers to those in private railways, electric power and other utilities.

Underlining the importance of promoting competition free of regulations, the document points to the possibility that industries and corporations with a low level of productivity may lose workers due to deregulation and market-opening measures.

However, it is quick to note that the employees could be absorbed by growth industries such as telecommunications and information.

Turning to job transfers, the draft urges review of the lifetime employment system and the seniority-based wage system, two traditional labor practices in Japan.

"There is no choice but to try to maintain employment from a broader viewpoint to go beyond the framework of corporations and industries," it says.

Among other proposals, the report also recommends that shorter working hours be pursued through management-labor talks independently, saying the legal framework for a reduction has been laid out.

The appeal, which apparently comes in light of the introduction of a mandatory 40-hour workweek, does not reflect the reality that the Japanese employee put in an average 1,909 hours in fiscal 1993, which ended March 31.

The nation's largest labor federation, the Japanese Trade Union Confederation (Rengo), is seeking a reduction to 1,800 hours annually.

The report also mentions a need to make better use of female and elderly workers and calls for education based on age categories to help them find jobs.

## **Mongolia**

### **President Ochirbat Gives New Year's Address**

LD3112224294 Moscow ITAR-TASS World Service in  
Russian 1606 GMT 31 Dec 94

[By ITAR-TASS correspondent Kim Boldokhonov]

[FBIS Translated Text] Ulan-Bator, 31 Dec—In his New Year's radio and television address to the people, Punsalmaagiyn Ochirbat, president of Mongolia, named the country's acquisition of a national security concept as the most significant achievement of the outgoing year. He also noted that thanks to persistent efforts in oil prospecting, the time is drawing near when Mongolia will have its own petroleum industry. Hard currency reserves are growing. In a word, despite the difficulties experienced in the transitional period, the country's democratic renewal is being implemented step by step, the head of state said.

However, despite one's desires, on the eve of the New Year, the realities of life unfortunately do not allow one to speak only of what is joyful and what has come to pass, he continued. "Not everyone's living standards are rising," the president said. "We have not been able to increase output substantially or to improve the system of services. There has been no notable growth in the number of new jobs, and measures to combat crime are insufficient." All these problems will have to be tackled next year. The fate of the country is in our hands, P. Ochirbat stressed in conclusion.

## **North Korea**

### **Kim Yong-sam Group 'Obstacle' to Reunification**

SK0401103195 Pyongyang KCNA in English 1023  
GMT 4 Jan 95

["Obstacles to Reunification Must Be Removed"—  
KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 4 (KCNA)—If the reunification of the country desired by the entire fellow countrymen so earnestly is to be promoted, the Kim Yong-sam group under the "civilian"



mask, an obstacle to it, must be removed, declares NODONG SINMUN in a by-lined article today.

The article charges that the Kim Yong-sam group, while waxing eloquent about "cooperation" and "unification," desperately opposes the reunification of the country, seeking confrontation between the fellow countrymen and carrying the inter-Korean relations to the worst phase. It goes on:

The Kim Yong-sam group has tried to slay the fellow countrymen with the sword of foreign forces, crying for "international cooperation system" and "sanctions" over the fictitious "nuclear problem" of the North ever since it seized power. This is an act that can be done only by those who do not want the independent, peaceful reunification of the country, a never-to-be-condoned anti-national, anti-reunification criminal act.

The vicious anti-communist policy of confrontation pursued by the South Korean rulers is only harmful to the accomplishment of the cause of national reunification.

The South Korean rulers built the concrete wall cutting across the country at its waist and made such a legal barrier as the notorious "National Security Law".

With these barriers they completely block dialogue and interchange between the North and the South, incriminate as "pro-communist, enemy-benefiting acts" the righteous activities of all the South Korean patriotic-minded figures and democratic organisations for national reunification through collaboration with communism and the North, by invoking fascist laws.

The democratisation of the South Korean society is also indispensable for the reunification of the country.

To clear South Korea of the obstacles to national reunification is an undertaking to uproot the cause of strained inter-Korean relations and distrust and confrontation within the nation and, at the same time, an important work for building up the internal force for reunification.

If the obstacles to reunification are removed in South Korea, the pro-reunification forces will grow stronger and the reunification movement will be expanded and developed on a nation-wide scale.

The struggle for the removal of the obstacles to the reunification in South Korea is a struggle to overthrow the treacherous Kim Yong-sam "government".

#### **Committee Denounces ROK Nuclear Waste Dump**

SK3012152294 *Pyongyang KCNA in English* 1506  
GMT 30 Dec 94

[FBIS Transcribed Text] *Pyongyang*, December 30 (KCNA)—The State Environment Committee in a statement issued on December 30 pungently denounced the scheme of the Kim Yong-sam group to build a nuclear waste dump on an island near the coast of the northern half of Korea as an anti-national criminal act to reduce

the whole land to a barren land polluted by nuclear material and make the whole nation in the North and the South a victim of nuclear radioactivity.

The South Korean puppets recently decided to build a nuclear waste dump on Kulop Island in Tokjok-myon, Ongjin County, Kyonggi Province, near the coast of the North side. They failed to designate the site of the dump for six years by the resistance of the people.

Noting that nuclear waste thrown into sea owing to the nuclear development in South Korea, is over 11,000 trillion becquerel, which causes fatal damage to the ecology system of seas and the existence of human being, the statement continued:

The international law strictly prohibits the random dumping of nuclear waste and setting up of dangerous nuclear facilities and nuclear waste dump anywhere one wants.

The Kim Yong-sam group, however, are trying to build a nuclear waste dump strongly rejected by the South Korean people on an island near the northern half of Korea to do disastrous damage to the fellow countrymen. They are rude gangsters and villains who have no blood of the nation and elementary human conscience and who are ignorant of international law, aren't they?

The South Korean puppets must clearly see the steadfast stand of the North to thoroughly protect natural environment, valuing the lives of the fellow countrymen, and immediately give up the criminal plan for building a nuclear waste dump in the area near the northern half of Korea.

If the South Korean puppets build a nuclear waste dump on Kulop Island in defiance of the North's strong warning, they will have to bear full responsibility for all the consequences arising therefrom.

#### **Prison Term for ROK Student Kim Criticized**

SK3112050294 *Pyongyang KCNA in English* 0444  
GMT 31 Dec 94

["Fascist Outrage To Destroy Hanchongnyon"—KCNA headline]

[FBIS Transcribed Text] *Pyongyang*, December 31 (KCNA)—The South Korean fascist clique in a trial on December 27 passed a prison term of three years on student Kim Chae-yong, former chairman of the South Korean Federation of General Student Councils (Hanchongnyon), charging that he had led the struggle of students for independence, democracy and reunification.

MINJU CHOSON today brands this as part of a pre-meditated offensive to suppress and remove Hanchongnyon and patriotic students.

The news analyst of the paper says:

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Kim Chae-yong committed no crime deserving a prison term. His struggle at the head of students as first chairman of Hanchongnyon was a patriotic deed that should be praised by the nation.

It is not students but the Kim Yong-sam group that committed crimes. The group is trying to bar the righteous activities of Hanchongnyon by arresting and punishing patriotic students, but to no avail.

The Kim Yong-sam group should look straight at the reality, stop the suppression of Hanchongnyon, withdraw the penalties imposed on Kim Chae-yong and other patriotic students and figures and release them unconditionally.

# **ROK Journal on Human Rights Suppression Cited**

SK3012153994 Pyongyang KCNA in English 1520 GMT 30 Dec 94

[FBIS Transcribed Text] Pyongyang, December 30 (KCNA)—South Korean lawyer Kim Son-chu in his article "What Mark the 'Civilian' Human Rights Get" carried by the October issue of South Korea journal "SINDONG-A" said that the Kim Yong-sam "regime's" suppression of human rights is turning back to the time of the past military dictatorial "regime".

If the Kim Yong-sam "regime" is a "civilian government" different from the preceding military dictatorial regimes, it should at least liquidate the past infringement on human rights, amend or abolish the evil laws contrary to human rights and reform the structural system concerning human rights, but any of them has not been done, the author pointed out, and went on:

Over 220 people were arrested in the first year since the Kim Yong-sam "regime" came into being and more than 400 in five months later.

Denouncing the South Korean authorities' brutal crackdown on the all-people rally to check "parliamentary ratification of the Uruguay Round accord" and other meetings, demonstrations and the Fifth Pan-national Rally, he wrote that the infiltration of police force into religious organisations and churches finds no precedent even under the military dictatorial "regime".

# **Rally at U.S. Army Base in ROK Reported**

SK3112105994 Pyongyang KCNA in English 1025 GMT 31 Dec 94

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—About 100 members of the headquarters of the U.S. Army Crime Prevention Movement and the Federation of the Buddhist Movement in South Korea held a rally in front of a U.S. Army Unit in Yongsan District, Seoul, on December 28 and demanded that the U.S. military policemen who had assaulted three South Korean women be immediately transferred to the court, said a radio report from Seoul.

They branded the refusal of the U.S. Eighth Army command to transfer the U.S. military policemen as a downright denial of the people's demand. They urged their immediate transference and an open apology for the assault case.

On October 25, U.S. military policemen assaulted three South Korean women in Hannam-tong, Yongsan District, Seoul. The U.S. Army side, however, has arrogantly refused to transfer the criminals by invoking the South Korea-U.S. "Status-of-Forces Agreement," thus touching off the anger of the South Korean people of all walks of life.

# **Envoy to PRC on Kim Chong-il Not Giving Speech**

OW0401102195 Tokyo ASAHI SHIMBUN in Japanese 4 Jan 95 Morning Edition p 2

[By Miochiyoshi Isokawa]

[FBIS Translated Text] Beijing, 3 Jan—Chu Chang-chun, North Korean ambassador to Beijing, held a news conference in Beijing on 3 January. Commenting on the issue of resuming talks for the normalization of diplomatic relations between Japan and the DPRK, he said, "It depends totally on the Japanese side" and "the Japanese Government knows very well what our stand and demands are regarding the talks." In this way, he explained the DPRK's stand of observing what the Japanese Government will do.

In response to the question of "why General Secretary Kim Chong-il did not give a 'New Year's Day speech?'" the ambassador disclosed that an editorial—which three newspapers, including the Workers Party of Korea organ NODONG SINMUN, jointly carried—was based on the wishes of General Secretary Kim. In this way, he suggested that the editorial was in lieu of a "New Year's Day message."

# **Letter by North Korean Denounces Life in ROK**

SK3112050194 Pyongyang KCNA in English 0440 GMT 31 Dec 94

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—Kim Myong-chin in the northern half of Korea sent a letter to Yim Su-kyong in South Korea. Kim Myong-chin is the half brother of Kim Chi-hyon, a daughter of Kim Pyong-chu who was an unconverted long-term prisoner.

Yim Su-kyong has been known as the flower of reunification since she participated in the 13th world festival of youth and students held in Pyongyang in July 1989 as a delegate of the National Council of Student Representatives of South Korea.

In the letter Kim Myong-chin said that, through Yi In-mo, the incarnation of faith and will, who returned to the northern half of the country last year, he got to know about his father Kim Pyong-chu and about a half brother



and half sisters including Chi-hyon living in South Korea and, later, learned the miserable life of the brother and sisters through an article written by Yim Su-kyong.

After referring to his worthy life in the North, he said he felt more keenly how anti-popular is the South Korean society where his brother and sisters are living a miserable life.

Recalling that the Red Cross organization of the North asked the South Korean Red Cross to let Chi-hyon have her disease cured in the North, he said: "There has been no reply from the South till today when the year is coming to an end. I feel bitter resentment at the inhumane behavior of the South Korean authorities."

Kim Myong-chin hoped that Su-kyong will, in the future, too, keep herself in bloom as the flower of reunification by writing many good articles helpful towards the unity and reunification of the nation.

### **Sister of Unconverted Prisoner Appeals to UN**

SK0301111995 Pyongyang KCNA in English 1031  
GMT 3 Jan 95

[FBIS Transcribed Text] Pyongyang, January 3 (KCNA)—Ham Suk-yo, the elder sister of Ham Se-hwan, an unconverted long-term prisoner, recently sent a letter to the United Nations Commission on Human Rights, requesting its active cooperation in the repatriation of her brother detained in South Korea.

In the letter, she said that her brother Ham Se-hwan should have been repatriated to his home when POWs were exchanged right after the ceasefire, because he had been taken prisoner during the Korean war.

"The South Korean authorities, however, kept him behind bars for 34 years, trying to force him to abandon his hometown and his motherland," she said, adding:

"Even after his release from prison, he is subjugated to all sufferings, away from home. Where do they find justification for that?"

She wrote about the miserable lot of her brother who, a sickly person, is living all alone, away from home, remaining single in his age above sixty, and said that he ardently desires to return to his hometown.

She earnestly requested the U.N. Commission on Human Rights to launch an international rescue campaign for the repatriation of her youngest brother, taking into consideration the anguish of her, an old woman of over 80 who is anxiously waiting for the return of her brother whom she had nursed when he was a baby.

### **UN Envoy Discusses Peace Talks With U.S.**

OW0201061595 Tokyo YOMIURI SHIMBUN in  
Japanese 31 Dec 94 Morning Edition p 5

[By Kunihiro Yamaoka]

[FBIS Translated Text] New York, 30 Dec—The issue of the emergency landing in North Korea by a U.S. military helicopter stationed in South Korea was settled with the release of U.S. pilot Bobby Hall 13 days after the incident occurred. However, an official at the DPRK (North Korean) mission to the United Nations stated in a YOMIURI SHIMBUN interview on the afternoon of 29 December: "Since a peace agreement is necessary for achieving true peace and safety on the Korean peninsula, we are proposing DPRK-U.S. negotiations to that end. The United States should accept our proposal because the agreement will prove to be of benefit to the United States, including protecting the lives of U.S. servicemen." He thus called on the United States to accept the proposal for holding new U.S.-DPRK negotiations for "concluding a peace agreement" replacing the existing Korean cease-fire agreement.

The official at the North Korean mission to the United Nations stated: "...the United States had accepted the proposal for peace agreement negotiations, the current incident could have been settled promptly. There will be no guarantee of preventing the recurrence of such incidents in the future." He stressed the need for U.S.-DPRK negotiations, saying the conclusion of the agreement "will prove to be of benefit to the United States."

On the afternoon of 29 December, U.S. State Department Spokesman Michael McCurry touched on measures to prevent similar occurrences, which are mentioned in a written memorandum of understanding signed between the United States and the DPRK in Pyongyang. However, he only mentioned a "contact at an adequate place." Meanwhile, the U.S. paper THE NEW YORK TIMES reported on 30 December that there is a proposal that, as part of steps to improve communications, a sort of hotline (direct communications link) be established between the UN forces headquarters (actually the headquarters of the U.S. Forces in South Korea) and the Korean People's Army to expedite their communications.

The United States has repeatedly promised South Korea that it will maintain the current framework of the Military Armistice Commission at Panmunjom, which has continued since the Korean cease-fire agreement was signed (in July 1953).

Nevertheless, North Korea stated in its Foreign Ministry's statement in April: "The Korean cease-fire agreement (signed in July 1953) has become a scrap of paper due to U.S. unfair acts, and the Military Armistice Commission has become nothing but the name." It proposed to the United States that "negotiations be held to turn the cease-fire agreement into a peace agreement and to establish a peace guarantee system replacing the armistice organization." The armistice commission has not actually worked. For this reason, the United States and North Korea could not use channels of the armistice commission in the current case, and generals of the two countries engaged in unprecedented direct negotiations.



From the viewpoint of preventing similar occurrences, the current incident has left the United States with the important task of taking confidence-building measures with North Korea immediately, while considering the position of South Korea, which is worried that the United States may promote negotiations with North Korea without consulting it beforehand.

### **Pyongyang Gets Chairmanship of UNESCO Group**

SK0201022795 *Pyongyang Korean Central Broadcasting Network in Korean 1300 GMT 28 Dec 94*

[FBIS Translated Text] Our nation recently gained the chairmanship [wiwonjangjigul chaji haessumnida] of the Asian-Pacific regional bureau group of the United Nations Education, Science and Culture Organization [UNESCO].

During the current election, our nation enjoyed the support of an absolute majority for the chairmanship in direct confrontation with Japan.

After the current election, the member states expressed their support for the principled position of our nation, which firmly maintained the spirit of equality for the organization, for democracy, and for mutual understanding and cooperation.

### **WPK Message Sent to Fidel Castro on Anniversary**

SK3112113394 *Pyongyang KCNA in English 1050 GMT 31 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—The Central Committee [C.C.] of the Workers' Party of Korea [WPK] and the Central People's Committee of the Democratic People's Republic of Korea on December 28 sent a message of greetings to Fidel Castro Ruz, first secretary of the C.C., the Communist Party, president of the Council of State and president of the Council of Ministers of Cuba on the occasion on the 36th anniversary of the victory of the Cuban revolution.

"The Cuban people, under the correct guidance of the Communist Party of Cuba headed by you, are firmly defending the country's sovereignty and the gains of socialist revolution today, frustrating the moves of imperialists for aggression, interference and blockade," the message said.

It expressed firm solidarity with the Cuban people in their efforts to accelerate socialist construction, overcoming manifold difficulties.

Evincing the belief that the traditional relations of friendship and cooperation between the two parties, two countries and two peoples would be further consolidated and developed with each passing day, it wished Fidel Castro greater success in his future work.

### **O Chin-u Sends Greetings to Cuba's Raul Castro**

SK3112112794 *Pyongyang KCNA in English 1047 GMT 31 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—Marshal of the Korean People's Army [KPA] O Chin-u, minister of the People's Armed Forces, sent a message of greetings to Raul Castro Ruz, minister of the Revolutionary Armed Forces of Cuba, on the 36th anniversary of the victory of the Cuban revolution.

The message said that the people and the officers and men of the Revolutionary Armed Forces of Cuba under the leadership of Comrade Fidel Castro Ruz, the supreme leader of the Cuban revolution, have firmly defended the gains of revolution and dynamically pushed ahead with socialist construction over the past 36 years since the victory of the revolution under difficult conditions of persistent challenges and obstructions on the part of the imperialists, thereby eloquently demonstrating the advantages and viability of the socialist system.

Expressing the belief that the traditional relations of friendship and cooperation existing between the peoples and Armies of Korea and Cuba will be further consolidated and developed in the future, the message wished the minister of the Revolutionary Armed Forces and the officers and men of the Revolutionary Armed Forces of Cuba success in their efforts for the strengthening of the defences of the country.

### **Cubans Congratulated on Revolution's Anniversary**

SK3112103694 *Pyongyang KCNA in English 1019 GMT 31 Dec 94*

["MINJU CHOSON on 36th Anniversary of Victory of Revolution by Cuban People"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—MINJU CHOSON in an article today extends warm congratulations and greetings to the Cuban people on the 36th anniversary of the victory of the heroic Cuban people in revolution.

Noting that the Cuban people have creditably defended the socialist motherland and the gains of revolution after the victory of revolution, the author of the article says:

The courageous Cuban people are firmly building up the nation's defence power and strengthening the revolutionary Armed Forces against the imperialists' anti-Cuban moves.

The Korean people are sincerely rejoiced over and hail the achievements made by the Cuban people in the efforts to develop the nation's economy and improve the people's living, overcoming difficulties in the "special period of peace time".

Korea and Cuba have forged the bond of steadfast friendship in the common struggle against imperialism and for the victory of the cause of socialism.



The friendship between the two peoples is developing on good terms, unshaken in any storm and stress, thanks to the special intimacy between the great leader Comrade Kim Il-song and respected Comrade Fidel Castro Ruz.

The Korean people will do their best to expand and develop the friendly relations with the Cuban people in various sectors.

### **Newspaper Marks Cuban Revolution Anniversary**

SK0101142895 *Pyongyang KCNA in English* 1236  
GMT 1 Jan 95

[“NODONG SINMUN Observes 36th Anniversary of Victory of Revolution in Cuba”—KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 1 (KCNA)—NODONG SINMUN in an article today says the Korean people extend warm congratulations and militant greetings to the fraternal Cuban people on the anniversary of the victory of revolution in Cuba.

“The revolution in Cuba that emerged victorious under the guidance of Comrade Fidel Castro was a historic event that paved the way for the Cuban people to develop independently free from domination and subjugation, backwardness and poverty,” the article says.

Recalling that the Cuban people have advanced along the road of socialism they chose, frustrating the imperialists’ anti-Cuba moves at every step in the past 36 years since the victory of revolution, the article continues:

Steadfast is the will of the Cuban people to go along the road of socialism, adhering to the revolutionary principle.

The Korean people highly estimate the achievements made by the fraternal Cuban people in confrontation with enemies.

Friendship between the Korean and the Cuban people was forged through the joint struggle for independence, sovereignty and socialism and has been steadily developed.

The Korean people sincerely wish the Cuban people greater success in their future struggle to defend the motherland, the revolution and socialism and achieve the independent development and prosperity of the country.

### **Paper Supports Palestinian People’s Cause**

SK3112110194 *Pyongyang KCNA in English* 1022  
GMT 31 Dec 94

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—The Korean people will as ever make every possible effort to positively support the just cause of the Palestinian people, says MINJU CHOSON today in a signed article dedicated to the day of the start of the Palestinian revolution.

The Palestinian people and resistance fighters have waged the vigorous struggle to retake the lost country after they lighted the signal fire of the armed struggle, the paper points out, and goes on:

The Palestinian people are now striving to establish the independent state of Palestine with Kuds as its capital.

If the Palestinian issue is to be settled finally, Israel should completely withdraw from the occupied territory.

The Korean and Palestinian peoples have long established and developed the bonds of friendship on the same front for independence against imperialism.

Believing that the friendly relations between the two peoples will continue to strengthen and develop, the Korean people wish the Palestinian people greater success in the struggle for the victory of their revolution.

### **Anniversary of Palestinian Revolution Marked**

SK0101143295 *Pyongyang KCNA in English* 1238  
GMT 1 Jan 95

[“30th Anniversary of Start of Palestinian Revolution”—KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 1 (KCNA)—NODONG SINMUN today dedicates an article to the 30th anniversary of the start of the Palestinian revolution.

Noting that after the start of the revolution, the Palestinian people have waged a vigorous struggle to retake their legitimate national right under the leadership of the Palestine Liberation Organisation, the author of the article says:

Today the Palestinian people are making active efforts for the complete solution of the Palestinian problem.

Their struggle to restore their legitimate national right has enjoyed active support of the Korean people and the world progressive people for its validity.

The Korean people warmly congratulate the Palestinian people on the 30th anniversary of the start of the Palestinian revolution and wish them fresh success in their struggle to restore their legitimate national right and completely solve the Palestinian problem.

### **Greetings Sent to People’s Party in Guyana**

SK3112232794 *Pyongyang KCNA in English* 2229  
GMT 31 Dec 95

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—The Central Committee of the Workers’ Party of Korea today sent a message of greetings to the Central Committee of the People’s Progressive Party of Guyana on the 45th founding anniversary of the party.

The message noted that the People’s Progressive Party of Guyana has been strengthened and developed into a leading political organisation which enjoys support and



trust of the masses of working people in Guyana and has registered great achievements over the past 45 years in the efforts to build the country into an independent, non-aligned and sovereign state.

Expressing the belief that the favourably developing friendly and cooperative relations between the two parties and two countries will continue to grow in strength and develop, the message sincerely wished the People's Progressive Party of Guyana new successes in its work to strengthen itself and build a national democratic state that guarantees political democracy and social justice, in response to the decisions adopted at its 25th congress.

#### **Japan Criticized for Treatment of Comfort Women**

SK3112103494 *Pyongyang KCNA in English 1015*  
GMT 31 Dec 94

["NODONG SINMUN on Japan's attempt to justify crimes in drafting 'comfort women for the Army'"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—The Japanese Government recently contended that the crimes in drafting "comfort women for the Army" cannot be said to have been a violation of international law, answering to a question of a member of the House of Councillors as regards compensation to each of the former "comfort women."

Commenting on this, a NODONG SINMUN analyst today says: This answer made it plain that the Japanese reactionaries never feel remorse for the crimes of old Japan in the "comfort women for the Army" issue and they do not have elementary conscience and international morality.

These crimes committed by the Japanese Government and military by invoking state power in the past were extra-large anti-ethical crimes previously unknown in human history.

The utterances of the Japanese Government justifying the crimes are a shameless sophism that cannot go down with anyone, a malicious insult to the surviving "comfort women for the Army" who are demanding a sincere reflection and compensation, and to those dead, and a challenge to international law and world opinion.

The Japanese Government's attempt to justify the crimes in the "comfort women for the Army" issue vividly reveals its craftiness, arrogance and moral inferiority.

A proper solution to the "comfort women" issue is badly needed for restoring international justice and morality violated by the Japanese imperialists and preventing the recurrence of such crimes. With no sophism can the Japanese authorities justify their past crimes.

#### **Kim Chong-il Sends Message to Chongnyon Chairman**

SK0101142695 *Pyongyang KCNA in English 1232*  
GMT 1 Jan 95

[FBIS Transcribed Text] Pyongyang, January 1, (KCNA)—The great leader Comrade Kim Chong-il today sent a message of greetings to Han Tok-su, chairman of the Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon), greeting the New Year 1995.

Recalling that the compatriots in Japan and other overseas compatriots shared bitter sorrow and grief with the people of the homeland at the loss of the fatherly leader last year, in which the Korean people suffered the greatest pain ever known in the national history of five thousand years, the message says:

This vividly showed the noblest and true blood ties between the leader and the people, the leader and his men.

Last year the officials of Chongnyon and the compatriots in Japan proudly demonstrated the dignity and honor of the nation with the unshakable faith of *chuche* and more energetically conducted the patriotic work of Chongnyon, true to what the leader intended in his lifetime, under the complex situation in which the reactionaries resorted to a malicious anti-DPRK, anti-Chongnyon campaign.

The message highly estimates the great achievements Chongnyon officials and the compatriots in Japan made in their lofty patriotic movement last year, courageously tiding over all trials and hardships, and states that it is a great pride to have admirable overseas compatriots who remain loyal to their leader and ardently love their homeland and nation.

In 1995 in which fall the 50th anniversary of national liberation and the 40th anniversary of the formation of Chongnyon, all the Chongnyon officials and compatriots in Japan should continue to strengthen and develop Chongnyon into a patriotic organisation unfailingly loyal to the socialist homeland and they should glorify the undying feats performed by the leader in the movement of Koreans in Japan down through generations, the message says, and stresses:

Chongnyon should set this year as a year of uniting the masses of compatriots and conduct an energetic organisational and political work and thus effect a new turn in the work with compatriots of various strata including young traders and manufacturers and build itself into a powerful patriotic organisation with its roots struck among the broad segments of compatriots.

#### **Kim Sends Stipends for Korean Children in Japan**

SK3112112394 *Pyongyang KCNA in English 1043*  
GMT 31 Dec 94

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—The great leader Comrade Kim Chong-il sent



educational aid fund and stipends amounting to 100,350,000 yen in Japanese currency for the democratic national education of the General Association of Korean Residents in Japan, on the New Year 1995.

This has brought the total amount of educational aid fund and stipends sent by the great leader President Kim Il-song and Comrade Kim Chong-il for the Korean children in Japan in 129 instalments to 42,213,342,433 yen in Japanese currency.

**Telegrams, Letters Sent to Kim Chong-il Reported**  
*SK3112050094 Pyongyang KCNA in English 0431*  
GMT 31 Dec 94

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—The great leader Comrade Kim Chong-il has received a total of 10,000 messages including congratulatory telegrams and letters, letters of thanks, new year cards, solidarity telegrams and letters and messages of condolence from some 170 countries of the world this year.

They came from heads of state and government, party leaders, prominent figures of political, military, public, business and academic circles, literature and art and the press, followers of the *chuche* idea, former party and state leaders, officials of international and regional organisations, ordinary working people, intellectuals and even presidents, party leaders and former prime ministers of the countries which had long been hostile to Korea.

He received nearly 1,000 New Year telegrams and cards as well as congratulatory messages from party leaders and heads of state of some 150 countries on the 46th founding anniversary of the DPRK and the 49th founding anniversary of the Workers' Party of Korea.

In the period of mourning after the death of the great leader President Kim Il-song, Comrade Kim Chong-il received some 5,000 messages of condolence from about 500 heads of state and government and party leaders, ranking officials of political circles and the military, organisations and personages of different strata of some 170 countries.

**Kim Chong-il Sent New Year's Gifts, Messages**  
*SK3112113794 Pyongyang KCNA in English 1053*  
GMT 31 Dec 94

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—The great leader of our party and people Comrade Kim Chong-il received floral baskets, gifts and congratulatory letters from foreign diplomatic envoys in Pyongyang on the New Year 1995.

They were handed to officials concerned by the diplomatic envoys of China, Cuba, Cambodia, India, Indonesia, Ethiopia, Pakistan, Iran, Mongolia, Vietnam,

Algeria, Egypt, Russia, Poland, Bulgaria, Nigeria, Romania, Syria, Palestine, Yugoslavia, Yemen and Hungary.

Floral baskets, gifts and congratulatory letters were also presented to Comrade Kim Chong-il by the resident representative of the UNDP [United Nations Development Program] and his office, the acting head of the interest section of Germany, the military attaches of the Chinese and Egyptian Embassies.

**Article Praises Kim Il-song, Kim Chong-il**  
*SK3112110794 Pyongyang KCNA in English 1039*  
GMT 31 Dec 94

["Korea of Kim Il-song Shining in 5,000-year-long History of the Nation"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—Pae Chin-ku, dean of the faculty of political economics of Korean University under the General Association of Korean Residents in Japan (Chongnyon), who visited the socialist homeland, wrote an article titled "Korea of Kim Il-song Shining in the 5,000-year-long History of the Nation," which is carried by NODONG SINMUN today.

Noting that Korea of *chuche* is the socialist homeland founded by the great leader Generalissimo Kim Il-song, the author says:

Socialist Korea is unthinkable apart from the respected leader Generalissimo Kim Il-song and the dignity, honor and prestige of developing and prospering Korea are unimaginable apart from his greatness.

He quotes Marshal Kim Chong-il, the great leader of the Korean people, as saying:

"Though the founder of our nation is Tangun, the founder of socialist Korea is the great leader Comrade Kim Il-song."

The author notes:

The respected leader was the great leader of our country, socialist Korea, a great revolutionary and great man and the tender-hearted father of the people. I got to see the following figures through documentary film and a visit to the international friendship exhibition: From the days after the liberation of the country until his great heart ceased to throb, the respected leader received 120 heads of state on 1,982 occasions, 206 party leaders on 2,236 occasions, 76 heads of government on 838 occasions from 136 countries. He met a total of more than 70,000 foreigners.

More than 73,600 pieces of valuable gifts were presented to him by party leaders, heads of state and government, political parties, social organizations and prominent figures of some 170 countries and international organizations.



These figures comprehensively showing his greatness are associated with the dignity, honor and pride of our country.

In the past our country had been seldom visited by foreigners. The corrupt and incompetent rulers who enjoyed themselves, wearing kats (horse-hair hats) and riding donkeys, frequently visited other countries to entreat their help, taking to flunkeyism. Our ancestors, far from receiving gifts from other countries, arranged gifts with sweat and blood of the people and presented them to big countries, subjected to the destiny of a small country, a colony.

Today, Korea is shining on the incomparably high level, which has been proved by history.

Tangun is the father of our nation who founded the state of ancient Korea 5,000 years ago. But the fatherly leader Generalissimo Kim Il-song is the father of socialist Korea who gave our nation an independent life and dignity and established the country shining most in the long history of the nation. Accordingly, socialist Korea should be called after the august name of the respected leader, that is Korea of Kim Il-song.

The true meaning of all the terms used by the world people, praising our country, is Korea of Kim Il-song, which is the great praisal most suitable to our country.

Pointing out that the people with noble ideology, morality and sense of obligation are living in socialist Korea, Korea of Kim Il-song, the author says:

Our people whom the respected leader reared with the idea of "believing in the people as in heaven" are the people of Kim Il-song, a great people, who are always linked with him by the save life.

The people of the great Kim Il-song are taking after respected Generalissimo Kim Il-song, while continuously following his idea, feats and virtues, and are forming a perfect harmony with the leader and the party.

What is the fortune of Korea, the fortune of people, is that they are led by the great leader General Kim Chong-il, who has fully inherited the idea, leadership and virtues of the fatherly leader.

Marshal Kim Chong-il is, indeed, the successor to the idea of "believing in the people as in heaven" and the master of the benevolent politics and all-embracing politics.

He is an invariable loyal subject who remains faithful to Generalissimo Kim Il-song.

Respected supreme commander Comrade Kim Chong-il is a brilliant commander from heaven who has smashed the vicious moves of the imperialists and reactionaries to isolate and stifle the socialist homeland, with idea and rifles, strategy and grit in the vortex of history in which socialism has been frustrated and capitalism has revived in different countries. He is also the savior of socialism

who proclaimed the rebuilding of the socialist movement in the whole world and is guiding humankind with new socialist doctrine centred on the popular masses.

Korea of Kim Il-song, our country which we are always looking up to, is immediately the great General Kim Chong-il. This is the faith and will which struck deep in the minds of the Korean people at home and abroad.

### **Soldiers Mark Kim Chong-il's New Year Visit**

SK0401120195 Pyongyang Korean Central  
Broadcasting Network in Korean 2100 GMT 3 Jan 95

[FBIS Translated Text] Soldiers of a Korean People's Army [KPA] unit in which Comrade Ho Kwang is serving held a rally yesterday to vigorously accelerate the general onward march in the new year after single-heartedly uniting around Comrade Kim Chong-il, supreme commander of the Korean People's Army, who is the great leader [yongdoja] of our party and our people.

Officers and soldiers of the unit were present at the rally. Officer Kim Kyong-ha delivered a report at the meeting. Officer Kim Kwang-chol, noncommissioned officer Yi Myong-chun, and enlisted man Won Pyong-il participated in a debate to express their resolve.

Those who delivered a report or participated in the debate said that the hearts of all the soldiers of the unit who rang out 1994, which left eternally indelible traces of great sadness, and meaningfully rang in the new year, 1995, amid boundless happiness, were filled with strong determination and enthusiastic loyalty. They also said emotionally that KPA Supreme Commander Comrade Kim Chong-il, who always leads our people and People's Army to the single road of victory and honor, visited their guardpost on New Year's Day, congratulated the soldiers, and presented important tasks for strengthening and developing the People's Army into an invincible revolutionary Army.

They also said that the love and trust which the respected and beloved comrade supreme commander showed in visiting the soldiers at the guardpost on the first day of the new year were filled with his great intention to more powerfully raise soldiers of the People's Army into main troops of the revolution [hyongmyongui churyokkun]. They also stressed that no other soldiers in the world were happier and prouder than our soldiers.

They stressed a need to thoroughly implement the programmatic tasks the respected and beloved comrade supreme commander presented during his visit to their unit at the beginning of the meaningful new year and, thus, become one-a-match-for-100 fighters who are more powerfully prepared on political and ideological terms and military and technological terms.

The participants vigorously shouted such slogans as "Let us single-heartedly unite around Comrade Kim Chong-il, the respected and beloved supreme commander!" and



"Let us become guns and bombs that resolutely defend Comrade Kim Chong-il, the respected and beloved supreme commander!" and other slogans that contain a firm resolve to unconditionally and thoroughly implement the programmatic tasks which the comrade supreme commander gave the unit.

A letter of resolve was adopted at the meeting.

### **Vow To Implement 'Militant Tasks'**

SK0401102095 Pyongyang KCNA in English 1016 GMT 4 Jan 95

[FBIS Transcribed Text] Pyongyang, January 4 (KCNA)—The soldiers of the Ho Kwang unit of the Korean People's Army vowed to thoroughly implement the militant tasks put forward by Comrade Kim Chong-il, the great leader of our party and our people and supreme commander of the Korean people's Army.

Comrade Kim Chong-il called at Unit 214 of the Korean People's Army on the New Year's Day and put forward important tasks that would serve as a guiding compass in strengthening and developing the People's Army into invincible revolutionary Armed Forces.

The respected supreme commander acquainted himself with the combat training of the unit and went round the education room and barracks. In this course he indicated ways of firmly preparing the soldiers politically and militarily and took warm care of the life of the soldiers. And he posed for a photograph with the soldiers and gave them gifts.

A meeting was held at the unit on January 3 to accelerate the general march in the new year, united around the respected supreme commander in one mind.

The reporter and speakers at the meeting said they would train themselves stoutly to be a-match-for-a hundred soldiers more firmly prepared politically and ideologically and in military technique by thoroughly fulfilling the highly important tasks set forth by the respected supreme commander.

They said respected supreme commander Comrade Kim Chong-il is the sun of life and the mental pillar of them all and the brain of the revolutionary cause of *chuche*. And they pledged to absolutely worship the supreme commander and cherish in their hearts the rockfirm faith that they know no one else but the supreme commander.

### **Soldiers Increase Tunnel, Bridge Construction**

SK0201121795 Pyongyang Korean Central Broadcasting Network in Korean 2100 GMT 30 Dec 94

[FBIS Translated Text] The soldier builders of Comrade Chae Ki-nung's unit of the Korean People's Security Forces, who launched themselves into the construction of Kumnung No. 2 Tunnel, pierced through all the working induction pits [*chagop togaeng*] for the construction of the tunnel as of yesterday.

For the 51 days since they made the first blast of the project upholding the respected and beloved Supreme Commander General Kim Chong-il's Order No. 0051, the soldier builders pierced through the working sand pits one after another and successfully accomplished the major blasting of the Isimmansan, displaying the unmatched courage and mass heroism under the slogan of loyalty "What the party decides, we will do." Now, at the end of the year, they accomplished a proud exploit of completely piercing the working induction pits.

Comrade Yi Ki-tong, general-grade officer; and Comrade Chang Kil-chan, officer, of the Korean People's Security Forces, meeting station reporter Hong Song-chol, stated:

[Begin recording] [Yi Ki-tong] All the soldier builders of our unit, who have the unmatched pluck and wisdom given by the respected and beloved Supreme Commander General Kim Chong-il, have accomplished much in less than two months. During the period, the unit pierced through hundreds of meters of working sand pits one after another and completed preparation for the major blasting over one month ahead of schedule. Therefore, a few days ago, we successfully carried out the Isimmansan major blasting. Yesterday, we pierced through a 400-meter working induction pit.

Now, we have opened a breakthrough in the construction of Kumnung No. 2 Tunnel, thus opening a firm prospect for completing the project over two months ahead of schedule.

During the entire period of construction, the unit worked scrupulously for the organization and command of battle. Vigorously conducting political propaganda and economic agitation at the work site, all the commanding officers of the unit worked with the builders, thus waging a vigorous struggle.

Upholding the respected and beloved comrade supreme commander's order as a supreme order, all the commanding officers and soldiers of the unit, including the combatants of Comrade Sonu Hyong-chol's unit and Comrade Kim In-paek's unit, were wholeheartedly united and displayed one-a-match-for-a-hundred wisdom and courage.

There is no problem in the construction of Kumnung No. 2 Tunnel because our one-a-match-for-a-hundred soldiers with unmatched pluck and wisdom given by the respected and beloved comrade supreme commander, have undertaken the construction of the project.

[Chang Kil-chan] The respected and beloved Supreme Commander General Kim Chong-il issued an order for completing the second-stage construction of Chongnyu Bridge and Kumnung No. 2 Tunnel before the 50th anniversary of the party founding to beautifully realize the great leader's grand plan for the construction of the capital in this land. He then entrusted our unit with the work of building Kumnung No. 2 Tunnel. This reflects



the great confidence the respected and beloved comrade supreme commander has in us.

What should we do to repay this? We firmly pledged to accomplish the respected and beloved comrade supreme commander's order within the date set, even if we are required to make ourselves human bombs. Since the first day we set to work, we have displayed loyalty and strength. In less than two months since we made the first blast of the project, we pierced through the working sand pits one after another, and pierced through the induction pit we were assigned to as of yesterday, thus opening a prospect for completing the project assigned to our unit over two months ahead of schedule.

All the combatants of the unit, including Comrade Yang Pyong-sik's unit, Comrade Pak Chang-yong's unit, and Comrade Yi Pok-kil's unit, displayed heroic exploits. The soldier builders of Comrade Sin In-sok's unit will thoroughly display the might of the unit nurtured by the Supreme Commander Comrade Kim Chong-il, the might of the unit of militant strength, and the might of the strong unit. [end recording]

Meanwhile, the soldiers of Comrade Kang Sin-sok's unit of the Korean People's Army are pushing ahead with the second-stage construction of Chungnyu Bridge rapidly with the burning desire to loyally uphold Comrade Kim Chong-il, the great leader of our party and our people. In the short period of 51 days since they set to work on receipt of the respected and beloved comrade supreme commander's order, they excavated some 25,000 cubic meters and set some 4,000 cubic meters of concrete, displaying the Paektu revolutionary spirit and one-a-match-for-a-hundred spirit of a soldier. Thus they attained a proud labor success of completing the piers of the bridge on the land. By completing the piers of the bridge far ahead of schedule, a firm prospect has been opened for expediting the speed of the overall construction.

#### **Officials, Workers Urged To Implement Party Line**

SK0401110095 Pyongyang KCNA in English 1052  
GMT 4 Jan 95

["MINJU CHOSON Calls For Accomplishing Socialist Cause by Implementing Party's General Line"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 4 (KCNA)—MINJU CHOSON today calls upon all the officials and working people to bring earlier the final victory of the socialist cause of *chuche* by deeply cherishing in their hearts the good fortune of making the revolution with the great leader of our party and our people Comrade Kim Chong-il at the head of the socialist cause, and consistently maintaining and thoroughly implementing the general line of the party whose validity and vitality have been fully proved in practice.

A signed article of the daily says:

The socialist system of our style is making a long drive along the road of *chuche*, not wavering a little in face of the anti-socialist moves of the imperialists and reactionaries intensified as never before because there is the scientific and revolutionary general line of the party on building socialism and communism.

The great leader Comrade Kim Chong-il said:

"Our people will never hesitate or yield in the future, whatever the situation and whatever the adversity. We shall implement our party's general line which embodies the *chuche* idea and carry the cause of socialism and communism to brilliant fruition."

The great leader Comrade Kim Il-song was the first in history to put forward the outstanding ideology, based on the *chuche* idea, that the three revolutions plus the people's government means communism, set it forth as the general line of building socialism and communism to carry through the three revolutions, ideological, technical and cultural, while strengthening the people's government and steadily enhancing its function and role, and wisely guided the realization of this line in our country.

The general line of the party sets it as its general goal to fully realize the independence of the popular masses and indicates scientific ways for attaining this goal of the revolution. It, on the basis of the man-centred socio-historic principles, scientifically expounds the features of a communist society in which the independence of the popular masses has been fully realized, and the law-governed process of its realization. It raises it as its important content to strengthen the people's government and enhance its function and role, thus enabling the people's government to successfully fulfil its mission as a political organisation managing the creative activities of the masses and all the sectors of society in a unified way.

The general line of the party scientifically indicates the orientation and ways of firmly building up the driving force of the socialist and communist society by remoulding people and of successfully laying the material and technical foundations commensurate with the socialist and communist society by developing the productive force of society to a high degree.

Our people could win a great victory in all spheres of the revolution and construction and build the most superior socialist paradise in this land under rarely difficult and complicated conditions by thoroughly implementing the general line of our party in the whole course of socialist construction under the wise guidance of the respected leader Comrade Kim Il-song and the great leader Comrade Kim Chong-il.

#### **Mass Technological Innovation Movement Urged**

SK0301143095 Pyongyang NODONG SINMUN in  
Korean 29 Nov 94 p 1

[Editorial: "Let Us Dynamically Advance the Mass Technological Innovation Movement"]



[FBIS Translated Text] Today we are faced with a honorable duty to glorify this year—the first year of the adjustment period—with proud achievements by effecting a great upsurge in implementing the party's revolutionary economic strategy and upholding the decisions of the 21st plenary meeting of the sixth party Central Committee. For us to successfully carry out this task, all domains and all units should dynamically advance the mass technological innovation movement.

The dear leader Comrade Kim Chong-il has pointed out:

The important key to dynamically advancing socialist economic construction is technological innovations. Only when we develop science and technology and dynamically advance the mass technological innovation movement, can we mobilize abundant reserves; can we enhance the quality of production and construction, and can we realize *chuche*-orientation, modernization, and scientification of the national economy at a high level.

Dynamically advancing the mass technological innovation movement is an important demand in constantly registering upsurges in socialist construction by thoroughly implementing the party's revolutionary economic strategy.

The party's revolutionary economic strategy is a gigantic economic strategy for constantly increasing production and for epochally enhancing the people's living standard by most effectively utilizing the existing economic foundations based on lofty scientific and technological achievements. Developing science and technology and dynamically advancing the mass technological innovation movement are a basic demand for accomplishing the party's revolutionary economic strategy. The issue of normalizing production at a high level by thoroughly implementing the party's agriculture-first, light industry-first, and trade-first policy and by directing efforts to develop the coal industry, electricity power industry, railway transport and metallurgical industry, depends, after all, on how persistently the mass technological innovation movement is pushed ahead.

Only when the mass technological innovation movement is dynamically advanced, can *chuche*-orientation, modernization, and scientification of the national economy be achieved at a high level; can the might of the nation's self-reliant economy be more firmly consolidated, and can the workers be emancipated from various difficult and arduous works. Today—the era of science and technology—advancing the mass technological innovation movement works as an important guarantee for making the nation strong and wealthy and for satisfactorily ensuring the people's independent and creative life.

All party members and workers should be keenly aware of the important nature of the mass technological innovation movement in implementing the party's revolutionary economic strategy, and should rise in this work as one man.

Functionaries, party members, and workers should, above all, have firm resolution and determination to effect a great turn in implementing the party's revolutionary economic strategy by highly raising the fierce beacon fire of the mass technological innovation movement.

It is a priority demand in dynamically advancing the mass technological innovation movement to have firm resolution and determination to thoroughly implement the party's policy of technological revolution. Only those who are resolved to dedicate all of their wisdom and passion to thoroughly implementing the party's policy of technological revolution can make more scientific and technological inventions, can put forward more creative designs and devices, as well as rationalization plans, and can effect greater innovations in implementing the party's revolutionary economic strategy.

Today, our party is hoping that a great upsurge will be registered in implementing the party's revolutionary economic strategy by developing science and technology and by dynamically advancing the mass technological innovation movement everywhere. It is a basic factor for creating miracles and exploits in socialist economic construction to have ideological determination and revolutionary passion to highly uphold the party's intention and ideas.

All the party members and workers must be mobilized ideologically and devote all of their wisdom and enthusiasm in the struggle to carry out the mass technological innovation with high loyalty toward the party and the spirit of absoluteness and unconditionality toward the party policy. The party organizations must work so that all party members and workers put forth more valuable scientific and technical inventions, creative designs, and rationalization plans by manifesting high loyalty and creative capability to truly contribute in carrying out the party's revolutionary economic strategy through science and technology.

Also, to further vigorously bring about the flames of mass technological innovation, all the functionaries, workers, scientists, and technicians must highly manifest the revolutionary spirit of self-reliance.

Just like all other work, the key to success in the struggle for technological innovation depends on how highly the people manifest the revolutionary spirit of self-reliance. Various plants, including the Kwangchon Foodstuff Plant, and functionaries and employees of enterprises are vigorously carrying out the mass technological innovation movement with the revolutionary spirit of self-reliance. Thus they are achieving great results in production. Experiences by the preceding units in carrying out technological innovation show that if the functionaries and workers stubbornly struggle without yielding to any barriers and strive persistently by having faith in their strength, any scientific and technical fortress can be easily and successfully occupied.



All the functionaries, scientists, and technicians must find things that are lacking and make things that do not exist with the revolutionary spirit of self-reliance to fulfill to the end the technological innovation tasks that were put forth through their strength and wisdom. If they stick to it from the revolutionary viewpoint and stand of self-reliance to resolve everything with one's own strength, even if the higher echelons do not supply the necessities, although it would be better if the higher echelons did supply them, any difficult technological revolutionary task can be easily and successfully carried out.

Scientists and technicians must firmly stand from a chuche position to solve scientific and technological problems that are desperately being demanded in carrying out the party's revolutionary economic strategy, and must also substantially contribute to accelerating the chucheization, modernization, and scientization of the people's economy.

All the scientists and technicians must manifest patriotic enthusiasm and creativity to all the more put forth valuable scientific and technical inventions, creative designs, and rationalization plans that can be actively contributed to carrying out the party's revolutionary economic strategy.

What is also important in vigorously carrying out the mass technological innovation movement is to work so the functionaries value the bud of the new technological innovation and that it is actively introduced and effectively used in production.

The mass technological innovation movement is realized through the process of endlessly creating and introducing new technology. Therefore, functionaries must always come to grips with the realities with an innovative eye to find even a small bud of technological innovation; support it; actively accept valuable inventions, creative designs, and rationalization plans in production; and work so that it will be most effectively used in the country's economic development. In particular, functionaries must turn priority attention to earnestly solving the scientific and technical problems that arise in carrying out the party's revolutionary economic strategy. Even a small bud achieved here must be valued and they must actively help and lead it so that it can be accomplished to the end. Functionaries must deeply bear in mind that development in technology is development in production and must all adhere to and vigorously push ahead in the work for production and technological innovation.

Enhancing the role of the party organizations is very important in vigorously carrying out the mass technological innovation movement.

All the party organizations must work scrupulously in the organization and political work so that party members and workers wholly manifest revolutionary enthusiasm and creativity in the struggle of the mass technological innovation, and must firmly adhere to and

correctly guide them so that the technological innovation movement can become party committee work.

The party organizations must work scrupulously with the scientists and technicians so that they can study deeply by saving even a minute and a second to significantly enhance the level of their political theory and the practical level of technology. By so doing they must repay the party's great faith and consideration through practical results. In particular, great emphasis must be put on the work with the intellectuals of the new generation so that they can have a large share in the struggle for technological innovation with high pride and sense of honor. Along with this, work must be actively carried out to follow the example of the experiences of the preceding units in carrying out technological innovation. The party organizations in all sectors and units must all the more intensify the movement to win the red flag of three revolutions so that the whole country can be vigorously blazing with the mass technological innovation and a new advance and spirit of rapid progress can be fluttered in carrying out the party's revolutionary economic strategy.

#### **Electric Power Producers Increase Production**

SK0201015895 *Pyongyang Korean Central  
Broadcasting Network in Korean 1215 GMT 1 Jan 95*

[FBIS Translated Text] Electric power producers in each power station under the Ministry of Electric Power Industry—who received with boundless emotion and excitement the great leader's [suryongnimui] New Year's address last year, which is an everlasting militant banner in our people's revolutionary struggle and construction project, as well as the joint editorial from NODONG SINMUN, KOREAN PEOPLE'S ARMY, and WORKING YOUTH—are effecting a lofty upsurge in production from the first day of combat in the new year.

In a meeting with Chong Mun-chol, a reporter of the Central Broadcasting Network, Comrades Han Kuk-song, first vice minister of the Ministry of Electric Power Industry, and Kim Yong-tal, director-general of a bureau, stated:

[Begin Han recording] Today, electric power producers in each power station under the Ministry of Electric Power Industry are registering new upsurges in electric power production with the beginning of the new year, cherishing the spirit with which they made proud achievements last year.

On the first day of the new year, the ministry's overall electric power production was normalized at 105 percent compared to the same period last year. [end Han recording]

[Begin Kim recording] That is right. Functionaries and electric power producers in the Pukchang Thermal Power Complex are fully operating their facilities based on the new year's production plan, and produced 40



percent more electric power than on 31 December last year, thus making achievement.

In addition, the Hochonggang Power Station, Tangjigang Power Station, 17 March Hydroelectric Power Complex, and other hydroelectric power stations under the ministry overfulfilled last year's electric power production plan. By cherishing with rock-firm faith that "Whatever the party decides, we will accomplish," they carried out a vigorous struggle and normalized production at an exceedingly higher level than last year.

At present, electric power producers in each power station are filled with a fierce resolution to unconditionally accomplish the party's revolutionary economic strategy under the leadership of the great leader [yongdoja], Comrade Kim Chong-il.

Deeply cherishing in our hearts the party's slogan "We serve the people!" we will go to electric power producers and will further inspire their revolutionary zeal, working and living with them. We will also carry out production organizational work and command work for each power station so electric power production is normalized. Thus, we will contribute to brilliantly decorate this year as a most significant and victorious year in the history of the fatherland. [end Kim recording]

#### **Changjagang Power Station Lauded**

*SK0201021595 Pyongyang Korean Central  
Broadcasting Network in Korean 1200 GMT 30 Dec 94*

[FBIS Translated Text] Functionaries and the working class of the Changjagang Power Station, who stood as one in the worthwhile struggle to thoroughly implement the party's revolutionary economic strategy, have normalized electricity production on a high level.

They fulfilled their annual electricity production plan as of 20 December, and distributed much electricity to socialist construction sites by normalizing electricity production in every month and in every quarter.

The producers of electricity at this power station are daily producing more electricity by operating generators according to standard operating procedures, by responsibly maintaining and repairing water turbines and other generating facilities, and by normalizing electricity production.

#### **Kujang District Coal Mines Production Reported**

*SK3012153594 Pyongyang KCNA in English 1516  
GMT 30 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 30 (KCNA)—Coal output is on the increase at coal mines in Kujang District.

According to data available at three coal mines of Yongdung, Yongmun and Yongsu, coal output as of the 20th of December increased 5.8 percent over the same

period of last year and some 23,000 more tons of coal was produced in the first 11 months this year than in the same period of last year.

Kujang County, North Pyongan Province in northwestern part of Korea, is one of the nation's major coal producers.

Coal of good quality is largely deposited in the area around Mt. Yongmun. Estimated coal reserves are several hundred million tons.

It was from the middle of the 1930s that coal mines began to be developed there.

At that time, the Japanese imperialists developed medieval-type coal mines to plunder coal resources in the area and carried away hundred thousands of tons of coal each year.

After the liberation, the DPRK Government has built many modern coal mines in Kujang District.

There are a large coal mining complex and scores of minor coal mines in the district.

The work of coal mines from coal cutting to carriage has been completely mechanized.

The coal mines have prepared many coal cutting faces and directed great efforts to the modernization of work in pits to markedly increase coal production.

The Yongdung coal mine built a 7 km-long belt conveyer and introduced new coal cutters and other machines in recent years, boosting coal output [figure indistinct] percent in three years.

#### **Sukchon County Agricultural Complex Formed**

*SK3112231894 Pyongyang KCNA in English 2224  
GMT 31 Dec 95*

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—A county agricultural complex has made its appearance in Sukchon County, South Phyongan Province, situated in the Yoltusamcholri Plain, a well-known granary on the west coast of Korea.

Sukchon County is the historic place where the new agricultural guidance system was established before anywhere else in Korea.

The great leader President Kim Il-song gave on-the-spot guidance to the county in December 1961. In this course he founded the County Cooperative Farm Management Committee, an exclusive organ of agricultural guidance, by detaching from the county people's committee the function of directing the rural economy, in order to meet the demand of the reality of the country where the socialist rural economy had grown in scale and its material and technical foundations had been consolidated.

The county has achieved signal successes in the revolutionisation and working-classisation [as received] of the



cooperative farmers and the industrialisation and modernisation of agriculture in the past 30 odd years. This made it possible to greet the historic event of completely changing the socio-economic position of the farmers by turning cooperative property into all-people property.

The county agricultural complex formed this time, unlike the County Cooperative Farm Management Committee, turns the agriculture of the county based on all-people property into one unit of production, accounting and management to directly organise production, make both ends meet and guide management activities, thus further enhancing the sense of responsibility and role in production.

A meeting of the employees of the Sukchon County Agricultural Complex was held on the spot on December 30 to give full play to the advantages of all-people property, true to the plan of the respected leader President Kim Il-song and the great leader Comrade Kim Chong-il for the building of the socialist countryside.

**Historical Relics Discovered in 1994 Reported**  
*SK3112230394 Pyongyang KCNA in English 2218 GMT 31 Dec 95*

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—Many valuable historical relics and remains showing the long history, wisdom and talents of the Korean nation have been discovered in different areas of Korea this year.

Many historical sites and relics belonging to the period of ancient Korea founded by King Tangun 5,000 odd years ago were found in Pyongyang.

They include ruins of a castle in the period of ancient Korea, 280 dolmen tombs, a typical type of tombs for the ruling class, 97 stone coffins, and bronze, gold-bronze, iron and ceramic ware in the period of ancient Korea.

The 5,000-year-old castle in the Namgang Workers' Settlement, Kangdong County, was built with big stones collected from the river and covered with earth.

The bottom width of the wall now remaining nearly in the original state is ten metres, upper width five metres and its height one metre.

Discovered in dolmen tombs in Chang-ri, Sangwon County, were human bones, bronze buttons, gold-bronze earrings, iron mirrors and jars.

Remains of a large village belonging to the period of Tangun Korea were unearthed in Namyang-tong, Tokchon city.

The sites of houses covered less than one metre deep under the earth numbered more than 100.

Discovered there were heads of bronze spears of pipha (Korean mandolin) shape, bronze pieces, stone daggers, spearheads, scimitars, axes, adz chisels [as received],

plane irons, whetstones, net sinkers, top-shape vessels and many other relics. Most of the discovered relics are weapons.

Peculiar sculptures of horses dating back to the period of Koguryo Dynasty (277 BC-668) were unearthed at the site of a ruined building in Choryong, Kangwon Province.

These sculptures are divided largely into three groups.

When unearthed, the sculptured horses were standing with their heads turned southward, 19 in front, 20 in the middle and 19 in the rear. They can be regarded as a cavalcade in the period of Koguryo.

The horses mostly of iron casting are different in size and forms. They are all riding horses.

Of the horse sculptures classified into three categories—large, medium and small in size—the biggest one is 28 centimetres in length, 19 centimetres in height and ten kilogrammes in weight. The biggest of the medium-sized sculptures is 20 centimetres long, 13.5 centimetres high and 2.5 kilogrammes in weight, while the biggest of the small-sized sculptures is 12 centimetres long, 12.5 centimetres high and weighs 8.9 kilogrammes.

All the 58 sculptured horses are different in form. This displays the high standard of casting technique.

Many relics and remains were unearthed in Kaesong area, too.

More than 240 pieces including pipha-shape daggers belonging to the period of ancient Korea, gold-bronze arrowheads in the period of Koguryo, Koryo celadon kettles and pear-shape bronze mirrors are of great significance in studying the development of bronze articles of ancient Korea and Koryo and the kinds, shape, color and materials of porcelains in those periods and the customs of the ancestors.

Many valuable cultural relics were unearthed in other areas, too.

**'Excellent' Sports Facilities in Pyongyang Noted**  
*SK3012152894 Pyongyang KCNA in English 1511 GMT 30 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 30 (KCNA)—Pyongyang has excellent sports and cultural facilities for the International Festival of Sports and Culture for Peace slated for late April 1995.

The festival will be co-sponsored by the Korean Asian-Pacific Peace Committee and the New Japan Professional Wrestling Corporation with the help of the State Commission of Physical Culture and Sports of the DPRK for the purpose of promoting peace in the Asia-Pacific region and friendship among peoples and expand and develop the exchange of sports and culture.



The festival will take place at stadiums including the May Day Stadium on Nungna Islet on the Taedong River.

The 850,000-seat May Day Stadium was the venue of the opening and closing functions of the 13th World Festival of Youth and Students in the presence of the great leader President Kim Il-song and the great leader Comrade Kim Chong-il in July 1989.

The stadium has the main ground, some ten training grounds and more than 1,300 rooms.

Inspecting the stadium during his recent visit to Korea, Tetsuo Baisho, permanent director of the New Japan Professional Wrestling Corporation, expressed deep satisfaction with the large size and perfect facilities of the stadium.

Ten modern gymnasiums and open-air stadiums including the Sosan football stadium with 25,000 seats are concentrated in Mangyongdae District. There more than 40 sports games of some 20 events can take place simultaneously. Among them is the Taekwondo Hall which symbolizes the resourcefulness and courage of the Korean nation.

There are many large-size stadiums in the city, including the Kim Il-song Stadium with 100,000 seats, the Pyongyang indoor stadium where the 35th World Table Tennis Championship was held in 1979, the ice rink and the gymnasium of Kim Il-song University.

Every district has a gymnasium where different ball games can take place at the same time.

There is a Gold Lane Hall on the bank on the River Taedong, and a golf course in Kangso District in the suburbs of Pyongyang.

Sports facilities are convenient of access.

### **New Record Holders in Winter Games Highlighted**

SK3112112094 *Pyongyang KCNA in English* 1041  
GMT 31 Dec 94

[FBIS Transcribed Text] Pyongyang, December 31 (KCNA)—World, Asian and home records were rewritten in the winter sports games held at the ice rink here to commemorate the Constitution Day.

Many new record holders emerged in the short track ice skating events.

Hwang Ok-sil, a merited sportswoman of the Pyongyang Railway Bureau sports group, and Han Yon-hui, Choe Ok-sun and merited sportswoman Kim Chun-hwa of the Sosong sports group broke the old world record in the women's 1,500- metres.

Kim Yong-chu of the Pyongyang Railway Bureau sports group improved the Asian record in the men's 3,000 metres and Kim Sun-yong and Yun Song-sil of the

Pyongyang municipal sports group and Kim Il-sin of the Pyongyang railway bureau sports group set new records of the DPRK in the women's 3,000 metres and men's 1,000 metres.

### **South Korea**

#### **Establishment of North-U.S. 'Hotline' Criticized**

SK0401093595 *Seoul MUNHWA ILBO in Korean*  
4 Jan 95 p 3

[Article by Han Chong-ho: "Controversy Over a North Korean-U.S. 'Military Hot Line'"]

[FBIS Translated Text] The United States and North Korea have reportedly been examining a plan to establish a "hotline" between the U.S. Forces in the ROK and the North Korean People's Army. This may become a diplomatic issue between the ROK and the United States. This is another conflict between the ROK and the United States, following the issue concerning unconverted long-term prisoners in the aftermath of the downing of the U.S. helicopter.

Quoting officials of the U.S. State and Defense Departments, THE NEW YORK TIMES reported on 30 December 1994: "As one of various measures to prevent the recurrence of incidents similar to the helicopter incident, the United States is examining a plan to establish a hotline between the U.S. Forces in the ROK and North Korea to make it easy for the sides to exchange views."

In response, officials of the National Unification Board, the Foreign Ministry, and other pertinent ROK Government agencies said on 4 January that the "U.S. Government has not informed us of such a decision." They continued: "The United States may make such a decision given the fact that it has taken a systematic approach, instead of adhering to principles." A National Unification Board official made a sensitive response by saying: "The U.S. Forces in the ROK are not occupation forces. Therefore, for them to establish an independent hotline with North Korea in the territory of the ROK, a sovereign state, is a clear-cut infringement on our sovereignty."

When asked to confirm the report, the U.S. Forces Command in the ROK stated on 3 January: "No decision has been made on this matter, and we cannot comment because it is an operational matter."

It then abruptly asked that its previous comment be canceled, stating: "We have no comment on this matter." It may have done so considering the serious nature of this issue.

Two countries with hostile relations tend to establish hotlines between the highest-level military or government authorities to prevent conflicts that might result from misunderstanding. This is an important measure to build confidence, the first step toward arms control. The



United States and the Soviet Union established a hotline right after the Cuban missile crisis. In the "Agreement on Reconciliation, Nonaggression, and Cooperation and Exchange Between the North and South," which was adopted toward the end of 1991, North and South Korea agreed to "establish and operate a hotline between the two sides' military authorities to prevent accidental armed conflicts and their escalation." However, they have failed to implement this agreement.

The ROK Government made such a sensitive response because the hotline will not result in positive "military detente," but establish a channel of direct dialogue between North Korean and U.S. military authorities to the exclusion of the ROK and incapacitate the Military Armistice Commission.

A pertinent ROK Government official stated: "Upon confirming the state of the affairs, the government plans to convey its strong opposition to the United States."

#### **DPRK's KCNA Cited on Hubbard's Remarks**

SK3112022594 Seoul YONHAP in English 0218 GMT  
31 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 31 (YONHAP)—A senior U.S. official reportedly disclosed plans in North Korea to use not only a governmental channel but a military conduit as well in discussing Washington-Pyongyang issues.

Quoting the official North Korean Central News Agency (KCNA), NAEWOE Press said Friday that Thomas Hubbard, U.S. deputy assistant secretary of state for Asia-Pacific affairs, made the revelation during his recent visit to North Korea.

Hubbard has just returned from Pyongyang after obtaining the release of Chief Warrant Officer Bobby Hall, the surviving crewman of the U.S. Army helicopter that went down North of the Demilitarized Zone on Dec. 17.

The North Korean report said that at a press conference in the northern sector of Panmunjom prior to returning to the South Friday, Hubbard expressed satisfaction at Hall's release and said, "In the future too, we will use all available channels of the military and government when it comes to humanitarian issues pending between the United States and North Korea."

It said the U.S. official also mentioned the question of replacing the military Armistice Agreement with a peace treaty by saying, "The United States wishes to see peace consolidated on the Korean peninsula."

The KCNA said Hubbard further discussed the issue of repatriating to the North those long-term prisoners in the South who refuse to renounce their allegiance to North Korea.

"Deputy Assistant Secretary Hubbard said he would convey the matter to the South Korean Government," it said.

Hubbard's alleged comments coincide with a North Korean statement issued on Hall's release that read in part: "The United States agreed to the North Korean overture that military contacts should be maintained between the United States and North Korea at Panmunjom."

#### **Ministries Comment on Repatriation of U.S. Pilot**

SK0401114595 Seoul SEOUL SINMUN in Korean 4  
Jan 95 p 5

[Report by Pak Chae-pom and Yu Min]

[FBIS Translated Text] Since the cabinet reshuffle on 23 December, the new foreign affairs and security team's foreign policy toward the United States has been a matter of public concern. On 3 January, the ROK and the United States were trying to dispel the conflict arising from North Korea's "helicopter hostage diplomacy" and stressed the alliance between the ROK and the United States. The ROK Foreign Ministry's policy is to receive explanations and cooperation when appropriate. The ministry is focusing on devising follow-up measures. The ROK Defense Ministry is seeking ways to participate in the North Korean-U.S. deal, while bearing in mind that the United States chimed in with North Korea's attempts to incapacitate the armistice commission.

In response to public concern that the U.S. helicopter incident is casting a shadow on ROK-U.S. relations, the Foreign Ministry replied: "The United States, as well as Japan, is a traditional ally of the ROK. Following the inauguration of Minister Kong No-myong, the two countries' relations will be further deepened," meaning the ministry will not take a direct countermeasure. The Foreign Ministry expects North Korea's campaign for a peace agreement will be stronger following its attempts to incapacitate the armistice commission and is contemplating countermeasures. Such steps include establishment of a "North and South Korea joint military committee" based on the basic agreement between the North and the South; participation by both North and South Korea in the resolution of the peace agreement issue; separation of the peace agreement and the withdrawal of U.S. Forces in Korea issues; and the dissolution of the UN Command in advance under the precondition that the North guarantees the South's participation in the peace agreement.

The first "signal" of a "change of view" in relations with the United States since the inauguration of Foreign Minister Kong was on 31 December when Vice Minister Pak Kon-u called in Charles Kartman, acting U.S. ambassador to the ROK, and berated [chilta] U.S. negotiations on the helicopter incident. During the meeting, Vice Minister Pak pointed out: "The issue of repatriating unconverted long-term prisoners, which North Korea and the United States agreed to consider, is a matter of ROK sovereignty," and lectured [hungye] in an unprecedentedly strong tone that "the United States should



declare that 'the issue is a matter of ROK sovereignty' for consideration by domestic and international communities at the appropriate time."

Unlike former Foreign Minister Han Sung-chu, Foreign Minister Kong tries to avoid direct contacts with U.S. officials in charge of ROK-U.S. relations. He instructed relevant officials that "in handling issues concerning the United States, talk to only counterparts when discussions are definitely necessary." Former Minister Han used to be frowned upon because he maintained direct contacts with U.S. officials in charge of the North Korean nuclear issue, including Assistant Secretary Robert Gallucci.

The Defense Ministry is embarrassed at the unceasing speculation that the United States may have contacted North Korea outside the Military Armistice Commission regarding the repatriation of the U.S. helicopter pilot. The Defense Ministry stresses that the North Korean-U.S. contacts took place within the framework of the armistice commission and has requested that the media report as such.

Cho Song-tae, director of Policy and Plans Office of the Defense Ministry, belatedly explained: "The United States secretly appointed Major General Smith as the chief of the armistice commission when he was sent to Panmunjom for the general officer-level talks between North Korea and the United States upon the request of North Korea. However, the appointment was confidential and the general officer-level talks are misunderstood as a North Korean-U.S. contact outside the armistice commission." According to Cho, the ROK-U.S. Combined Forces Commander Gary Luck replaced Brigadier General (Watkins) with Major General Smith on 21 December, the night before the general officer-level contact, and even handed him a letter of appointment.

Director Cho said: "The ROK strongly demanded that Major General Smith identify himself as a member of the armistice commission at the general officer-level talks. The ROK will continue to demand ROK participation if North Korea and the United States continue to have contacts excluding the ROK."

### **U.S.-DPRK Negotiations Over Pilot Criticized**

SK3112083294

[FBIS Editorial Report] Seoul Korean-language newspapers on 30 and 31 December carry editorials and articles on the U.S.-DPRK negotiations for the return of Chief Warrant Officer Bobby Hall, the surviving pilot of the downed U.S. helicopter.

The moderate CHUNGANG ILBO on 30 December carries on page 3 an 800-word editorial entitled "The Course of the North Korean-U.S. Negotiations Must Be Explained."

The editorial begins that the return of Chief Warrant Officer Hall is "fortunate and delightful from a humanitarian point of view." Citing differences in the "expressions" made by North Korea and the United States, the

editorial continues: "Given its nature, North Korea may have made an announcement favorable to it." The editorial continues: "However, our side suspects the U.S. side may have accepted North Korea's political demands. The ROK Government must urge the U.S. Government to make a clear explanation about this incident."

On page 3 of its 30 December edition, the newspaper carries a 1,100-word article by reporter Kang Yong-chin entitled "Background of the North Korean-U.S. Agreement on the Return of the Pilot." The article begins that Warrant Officer Hall was released "as a result of concessions the United States and North Korea made in order not to worsen bilateral relations." The article continues: "Even though North Korea failed to reach the stage of signing a North Korean-U.S. peace agreement, it succeeded in implementing its strategy of making the Military Armistice Commission, MAC, powerless and excluding the ROK from all negotiations."

The conservative CHOSON ILBO on 31 December carries on page 3 a 1,000-word editorial entitled "Preposterous 'Babbling About Long-Term Prisoners'." The editorial begins that the return of Chief Warrant Officer Hall is "fortunate." The editorial continues that the controversy over "unconverted long-term prisoners" leads one to suspect that the "negotiations may have virtually been political negotiations, not mere negotiations of a humanitarian nature for the return of the helicopter pilot." It continues that the long-term prisoners issue is not a matter in which the United States can be involved, but is a "matter on which only the ROK Government can decide."

On page 3 of its 31 December edition, CHOSON ILBO carries a 1,400-word article entitled "Return of the U.S. Helicopter Pilot." The article writes North Korea made "significant political gains" by making the MAC powerless and excluding the ROK from negotiations. It continues that by so doing, North Korea was able to build a foundation for holding direct negotiations with the United States to discuss the peace agreement issue.

The moderate TONG-A ILBO carries on page 3 of its 31 December edition a 1,500-word article by reporter Kim Cha-su entitled "Losses and Gains in the Negotiations for Chief Warrant Officer Hall's Return."

The article begins that North Korea was able to "fulfill its political objective and succeed in carrying out its propaganda ploy." The article continues that the North Korean-U.S. agreement to hold military contacts to prevent similar incidents is "tantamount to making the MAC powerless." The article continues: "North Korea appears to have failed to promote a favorable atmosphere in the United States and to build a basis for establishing diplomatic relations at an early date. This is because North Korea's delayed return of Warrant Officer Hall has heightened distrust of North Korea in the United States."



The moderate HANGUK ILBO on 31 December carries on page 3 an 800-word editorial entitled "Unpleasant North Korean-U.S. Agreement." The editorial begins that the North Korean-U.S. agreement is "very unpleasant because it consists of unreasonable clauses," even though the return of Hall is "fortunate." It also writes that the North Korean-U.S. agreement on his return is a "bad precedent that may be misused politically in the future." The editorial writes: "The ROK Government should ask the United States to elaborate on its negotiations with North Korea. It also should ask the United States if there is any secret agreement. If it is found that the alleged agreement on 'unconverted long-term prisoners' is accurate, the government should lodge a strong protest to the United States and reject this agreement."

HANGUK ILBO also carries on page 3 of its 31 December edition a 1,400-word article entitled "North Korea-U.S. Relations After the Return of the Pilot." The article says that even though North Korea may have won a victory in a brief psychological war, it also committed the foolish act of having the international community strengthen its "posture of alertness to North Korea."

Noting the fact that North Korea did not make efforts to minimize possible adverse effects that this incident may bring about to North Korea-U.S. relations, the article says: "It is difficult to say that the negotiations for improving relations and the negotiations for light-water reactors hit a snag. Still, the United States will clearly assume a prudent attitude toward North Korea." It went on to say: "In this respect, the incident has ended in a loss on the part of both the United States and North Korea, even though North Korea may appear to have won a victory."

The moderate KYONGHYANG SINMUN carries on page 3 of its 31 December edition an 800-word editorial entitled "The Solution to the Helicopter Incident Has Caused Many Problems." Citing the facts that North Korea's position to replace the armistice agreement with a peace agreement has become an accomplished fact and that North Korea and the United States have begun to discuss security on the Korean peninsula without the participation of the ROK, the editorial says that the "solution which the United States adopted with regard to the helicopter incident casts a dark shadow on ROK-U.S. relations." It also says that "this incident clearly shows the fate of a soldier detained in enemy territory is more important to the United States than its commitment to its 'traditional ally.'"

The pro-government SEOUL SINMUN on page 3 of its 31 December edition carries an 800-word editorial entitled "The United States, Which Was Again Fooled."

The editorial first says that the United States "may have been too conciliatory" and that "the fact that the United States accepted the North Korean demands is wrong, even though it knows very well those demands are unreasonable." It also says the alleged agreement on

long-term prisoners is "absurd and not worthy of comment." The editorial concludes by saying that the United States must reveal whether there was a "secret agreement" and what it is if there were any.

The left-leaning HANGYORE SINMUN on page 3 of its 31 December edition carries an 800-word editorial entitled "North Korea-U.S. Direct Negotiations for Hall's Return." The editorial welcomes his return and says the incident again shows how difficult it is for the sides to reach agreement on military issues. Noting the North Korean report on the agreement on long-term prisoners, the editorial points out that the "fact that the United States expressed its intention to exercise influence with regard to this issue is unreasonable." The editorial concludes by asking the United States to clarify the function and limitations of North Korea-U.S. direct negotiations and by asking the ROK Government to take appropriate countermeasures.

**Kong on 'Firm Principles' in Dealing With North**  
*SK0401052195 Seoul SEOUL SINMUN in Korean 4 Jan 95 p 1*

[FBIS Translated Text] Assessing the government's North Korea policy to date as having been, more or less, unprincipled and moderate, and as having caused confusion in overall diplomatic policy, the government has reportedly decided to coordinate and revise its North Korean policy in a hardline manner.

Accordingly, the government will actively raise the issue of human rights in North Korea, while urging North Korea to thoroughly implement the North-South basic agreement and the North Korean-U.S. agreement. It has also decided to take the lead in improving North-South relations and in conducting diplomacy with the four powers surrounding North and South Korea.

In a ceremony marking the start of the working year on 3 January, Foreign Minister Kong No-myong stated that "despite the trend in the world toward a new international order as a result of the end of the Cold War, North and South Korea remain divided, and continue to maintain their uncertain relations without making efforts to find a clue for their reconciliation." He also stressed that "grasping the diplomatic initiative in North-South relations is the year's most important diplomatic task."

Noting that "no changes have occurred in the security situation since the North-South basic agreement and the joint denuclearization declaration were adopted in 1991," Foreign Minister Kong assessed that "the effectuation of the North Korean-U.S. agreement must be administered over a lengthy period of 10 years and a great many twists and turns are expected in seeking North Korean agreement regarding the replacement of the Korea-model light-water reactor, the first barrier to resolving the North Korean nuclear issue."

Regarding Foreign Minister Kong's remarks, a relevant Foreign Ministry high-level official said that "it is the



policy of Foreign Minister Kong to establish firm principles in dealing with North Korea so as not to make unnecessary concessions in improving relations" and predicted that "the government will adopt a more hard-line stance than that of the past in improving North-South relations and in affairs involving North and South Korea."

A relevant official of the Foreign Ministry stated that in a "North Korean policy seminar" held at the end of last year and attended by then Foreign Minister Han Sung-chu, then ROK Ambassador to the United States Han Sung-su, then ROK Ambassador to Japan Kong No-myong, ROK Ambassador to China Hwang Pyong-tae, and ROK Ambassador to Russia Kim Sok-kyu, the issue of adopting a hardline policy toward the North was intensively discussed."

Prior to Foreign Minister Kong's remarks, Kim Tok, deputy prime minister and minister of the National Unification Board, also stated in a ceremony marking the start of the working year, that "although there are many analyses of the current situation in North Korea, we should not regard them as realistic because they include the many hopes and expectations of the people." His remarks were directed toward the moderates, who advocate a moderate policy toward North Korea.

#### **Pyongyang Radio Cited Criticizing Globalization**

SK3112034494 Seoul YONHAP in English 0238 GMT  
31 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 31 (YONHAP)—North Korea on Friday ridiculed South Korean President Kim Yong-sam's globalization scheme as "merely a deceptive advertisement aimed at rationalizing a treacherous act of selling the country," and told South Koreans not to pin their hopes on it.

NAEWOE Press, the official North Korea watcher here, quoted Radio Pyongyang as asserting in a current affairs commentary that the globalization proclaimed by President Kim is "in essence nothing but a country-selling slogan designed to sell the interests of the country, have politics, economy, society and culture further subordinated, obliterate the nation's dignity and independence, and make the people patients of the disease of relying on foreign powers by opening the country further to foreign powers."

The radio then advised South Koreans, "there is nothing to expect from the wind of globalization... The only way for South Koreans to survive is to realize not globalization but independence."

#### **PRC 'Suspended' Coal Supply to North Korea**

SK3112051594 Seoul CHUNGANG ILBO in Korean 1  
Jan 95 p 1

[Report by Mun Il-hyon from Beijing]

[FBIS Translated Text] It was learned that the PRC suspended the supply of bituminous coal for power generation to North Korea starting December 1994. The PRC had supplied 1 million tonnes of bituminous coal to North Korea every year.

The PRC also adopted a policy to reduce oil supplies to North Korea in 1995. Thus, the already serious energy situation in North Korea is expected to get more difficult.

A high-ranking PRC source stated on 30 December: "PRC coal manufacturers strongly appealed to the PRC Government that North Korea has not paid for the bituminous coal exports for many years and that they could not help suspending exports unless the government compensates them in cash. The government has decided to suspend exports of bituminous coal (to North Korea) after discussions with State Council relevant departments."

The source added: "Another reason the PRC suspended the supply of bituminous coal is because North Korea will be provided with heavy oil starting in 1995 as a result of the North Korean-U.S. talks held in Geneva."

The PRC authorities reportedly reduced oil supplies by 450,000 tonnes—from 1.35 million tonnes (\$249 million) in 1993 to 900,000 tonnes in 1994—in accordance with its policy to reduce oil supplies (crude and refined) to North Korea.

#### **Article on Elevation of Army's Position in North**

SK0401092495 Seoul CHUNGANG ILBO in Korean 4  
Jan 95 p 6

[Article by Kim Chin-kuk: "North Korean Military, Core in North's Power Hierarchy, Advances Its Position By Leaps and Bounds"]

[FBIS Translated Text] It is obvious that the North Korean military is elevating its position in the North's power hierarchy. The increasing influence of the military is shown that the first appearance by Kim Chong-il in the new year was to an Army unit and that the New Year's address, replaced with a joint editorial, was carried, oddly enough, by the CHOSON INMINGUN, the organ of the North Korean People's Army [KPA].

Kim Chong-il's visit to the military unit was his first official appearance since his visit to the construction site of the Chongnyu Bridge on 1 November 1994. This is a sign that Kim Chong-il attaches importance to the position of the military.

The CHOSON INMINGUN, the organ of the military, usually carries the movements of major military officials or articles on the ideological indoctrination of the KPA, therefore, the appearance of the editorial was a very unusual thing. The major newspapers in North Korea are NODONG SINMUN, organ of the party; MINJU CHOSON, organ of the State Administration Council; and



NODONG CHONGNYON, organ of the League of the Socialist Working Youth of Korea, in order of importance. This time, however, CHOSON INMINGUN replaced MINJU CHOSON.

This could be a sign that the position of the State Administration Council, which employs a large number of technocrats, is declining and, in contrast, the influence of the military is increasing.

Tom Hubbard, deputy assistant secretary of the U.S. State Department, who visited North Korea recently, also noted the possibility of friction between the military and the State Administration Council.

The influence of the military is seen in the editorial, as well in the stress on the conservative inclination of "socialism of our own style," instead of openness. The editorial also placed an outright emphasis on the military, saying: "We should thoroughly establish in the entire society the ethos of attaching importance to military affairs."

The elevation of the military's position has been witnessed since Kim Il-song's death. Beginning with the wreath laying ceremony held at the Kim Il-song statue on 8 August, one month after Kim's death, the position of military vice marshals in the North Korean leadership lineup has been advanced by leaps and bounds at all official events.

Kim Chong-il's order for the construction of the Chongnyu Bridge on 9 November 1994 had the effect on North Korea, including the State Administration Council, of a directive in the name of the KPA supreme commander.

If the influence of the military is strengthened substantially and reaches into internal and external policies of various fields, including foreign and economic policy, it will adversely affect inter-Korean relations.

Kim Chong-il demonstrated a healthy and positive look in the television footage North Korea sent to Japan on 3 January. His voice was not heard over the loud march, however, according to a Munhwa Broadcasting Corporation analysis of his remarks by sign language experts, Kim Chong-il gave a directive, saying: "The most important thing is training, so you must do the training. You should go to the office and replace the blankets quickly." It seems clear that the footage was not a fabrication, as some suspect.

#### **Kong Expresses 'Disappointment' Over N-S Ties**

SK0301075095 Seoul YONHAP in English 0739 GMT 3 Jan 95

[FBIS Transcribed Text] Seoul, Dec. 3 [date as received] (YONHAP)—Foreign Minister Kong No-myong expressed deep disappointment at the uncertain state of inter-Korean relations as he opened the first working day of the new year Tuesday, saying "the light of dawn is still far away."

Kong, appointed foreign minister just last month, said implementation of the Oct. 21 nuclear agreement between the United States and North Korea needs to be verified over a long 10-year period.

"Much difficulty is expected in getting North Korea to agree to a South Korean reactor model, which is the very first test of the agreement's implementation," Kong said at a New Year's ceremony.

Building peace for co-existence between South and North Korea is inevitable to attain the peaceful reunification of Korea, he said, but the light of dawn remains far off.

"Our security situation has not changed much since the conclusion of the inter-Korean basic relations pact in 1991 and joint declaration on a nuclear-free Korean peninsula," he said.

"Managing inter-Korean ties as we face the 50th anniversary of liberation remains a big burden in our international relations. It's like going out in a boxing match with one hand tied."

#### **North's Efforts To Relieve Food Shortage Noted**

SK3112013494 Seoul YONHAP in English 0117 GMT 31 Dec 94

[FBIS Transcribed Text] Beijing, Dec. 31 (YONHAP)—With food getting increasingly harder to come by, North Korea faces a 500,000-ton shortage of such staples as rice, corn and beans next year, Western business sources here said Saturday.

A source who is in frequent contact with North Korean economic and trade officials operating in Beijing said, "I have recently learned from a few senior North Korean trade officials that North Korean authorities are absorbed in resolving a serious food shortage, and are taking various steps for its resolution, estimating the food shortage next year at about 500,000 tons."

North Korean officials often visit China's northeastern region including Jilin Province as well as Beijing in a quest for food aid, according to the source. "It is thus expected that China's aid in beans and corn to the North will increase sharply next year."

Other sources added, "North Koreans, in an effort to import rice from Thailand and other Southeast Asian countries next year, are conducting positive negotiations in Hong Kong and elsewhere."

#### **North Koreans Arrested Selling Opium in Shanghai**

SK0301084195 Seoul YONHAP in English 0838 GMT 3 Jan 95

[FBIS Transcribed Text] Hong Kong, Jan. 3 (YONHAP)—Two North Koreans including one with a diplomatic passport were arrested trying to sell 6 kilograms of opium, Chinese security authorities said Tuesday.



One of the men arrested, an executive of a trading company operating in Macao known only by his last name Song, carried a diplomatic passport and was banished to North Korea after a thorough investigation, they said.

The other was Ho Kwang-nam, a broker in the drug deal who is now being held in a Shanghai prison, according to the authorities.

The two dealers smuggled in 6 kg of North Korean opium through their embassy in Beijing last July and routed it to Shanghai through the trading company in Macao, which is run by the North Korean military, the authorities said.

They were caught in a raid while trying to sell the opium, the authorities said. The 6 kg of opium is worth approximately 180 million won (228,400 U.S. dollars).

Diplomatic sources in Shanghai confirmed the report, adding that Pyongyang-Beijing relations, chilled by Chinese Premier Li Peng's visit to South Korea last year, have cooled further because of the incident.

The drug bust became known in Shanghai late last month, and the South Korean Government is also well aware of it, the sources said.

China is deeply concerned about its impact, they said.

According to the sources, two North Koreans were arrested in Vladivostok while trying to smuggle in 8.5 kg of heroin, one of 24 such cases reported in 19 countries since 1976.

#### **Economic Official Made 'Secret Visit' to PRC**

SK3112010494 Seoul YONHAP in English 0034 GMT  
31 Dec 94

[FBIS Transcribed Text] Beijing, Dec. 31 (YONHAP)—Yi Song-nok, chairman of the North Korean Koryo People's Industrial Development Council which is in charge of economic relations with South Korea on a private basis, recently made a secret visit to Beijing to discuss purchasing coke needed to produce steel, Western diplomatic sources here said Saturday.

Yi flew into Beijing Dec. 26 and stayed in the Chinese capital for five days before returning to Pyongyang on an Air Koryo flight Dec. 30, according to the sources.

His ostensible reason for visiting Beijing was to talk with Chinese officials about buying coke but the specifics of their negotiations have yet to be revealed, the sources said.

Some Western diplomats and businessmen here, therefore, raise the possibility that Yi might have contacted South Korean business leaders secretly on their travel to the North given the fact that Chong In-yong, chairman of the Halla Business Group, was staying in Beijing while Yi was visiting.

Yi had secret contacts with such South Korean businessmen as Kim U-chung, chairman of the Daewoo Business Group, and Chang Chi-hyok, chairman of the Kohap Business Group, in Beijing last month to discuss their visits to North Korea.

#### **Government Studies Various N-S Development Plans**

SK3112012994 Seoul YONHAP in English 0045 GMT  
31 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 31 (YONHAP)—The government will draft plans for joint South-North Korean utilization of the Imjin River's water resources to cope with rising demand for water in the Seoul area.

The government is also studying the creation of a new Pyonghwa (peace) city and a Pyonghwa industrial complex in the Demilitarized Zone and development of the mountainous spots surrounding Mt. Kumkang (Diamond) in North Korea and Mt. Sorak in South Korea into a world-class tourism region linking the two areas.

According to comprehensive land development plans drafted by the Construction-Transportation Ministry, Korea's land is to be developed to fit the new structure after national reunification backed up by the goals of localization and globalization.

Accordingly, the development program comprises the entire land area of the Korean peninsula so that it can support ongoing economic cooperation projects between South and North Korea.

In addition, the country's local development will be pursued with the existing seven great spheres playing a central role.

To be developed for people's leisure are Cheju Island, the Paekche cultural region, Kangwon Province and the southern coastal area.

Meanwhile, the ministry also plans to promote land competitiveness by linking regional development to various express interchange networks such as a new international airport, expressway, high-speed railway and supra-express information networks.

#### **Daewoo Chairman Expresses Confidence in North**

OW0101134195 Tokyo KYODO in English 1252 GMT  
1 Jan 95

[FBIS Transcribed Text] Hanoi, Jan. 1 KYODO—The chairman of South Korea's Daewoo business conglomerate expressed confidence Sunday [1 January] that economic exchange between North and South Korea will gradually gain momentum under the north's new leader Kim Chong-il.

"If the late President Kim Il-song was still alive, things would certainly have proceeded much more rapidly, but I suppose that North-South economic exchange will also steadily expand under Secretary General (of the Workers



Party of Korea) Kim Chong-il," Kim Wu-chung said in an interview with KYODO NEWS SERVICE during a stopover in Hanoi.

The business leader said he believes that Kim has not yet officially assumed his deceased father's top posts of head of state and party leader, since work on the preservation of Kim Il-song's body has not yet been completed.

Asked how he assesses the younger Kim's leadership abilities, the entrepreneur took an optimistic stance saying, "He has been doing this for more than 20 years."

The delay in the official leadership change has to be attributed to Kim's honoring the mourning period out of filial piety, he said.

Having officially visited the secluded North twice and met with the late president, the Daewoo head is considered an expert on North Korean affairs.

Because the North has not yet calmed down about Kim's death, they cannot think of advancing business with the South now, he said.

"But I believe we will be able to mutually cooperate, not only in light industry, when things have quieted down," he added.

Kim arrived in Hanoi from a trip to Eastern Europe on Saturday to meet the leader of Vietnam's ruling Communist Party, Do Muoi, and Vietnamese President Le Duc Anh.

He also attended a ground-breaking ceremony for a Daewoo joint-venture hotel in downtown Hanoi.

#### **North Suggests Joint Seminar to Kim Tae-chung**

SK0401023595 Seoul HANGYORE SINMUN in Korean  
4 Jan 95 p 1

[Report by Kim Chong-ku]

[FBIS Translated Text] Recently, North Korea reportedly proposed to Kim Tae-chung, chairman of the Asia-Pacific Foundation, that a joint seminar be held to discuss North-South issues.

A relevant foundation official revealed on 3 January: "Kim Yong-sun, vice chairman of North Korea's Committee for Peaceful Reunification of the Fatherland, has suggested to Chairman Kim through an indirect channel the holding a joint seminar."

The official said "the foundation has already reported this incident to the government," and revealed that "since this is a very sensitive issue, we cannot indiscreetly respond to North Korea's proposal." He added: "We are closely examining North Korea's true intention from various angles."

#### **Japan's Murayama Interviewed by Korean Reporters**

SK0401110895 Seoul YONHAP in English 1009 GMT 4 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 4 (YONHAP)—Japanese Prime Minister Tomiichi Murayama, declaring

Wednesday that Japan must renew its anti-war pledge to ensure lasting world peace, said his government will carry out various projects this year marking the 50th anniversary of the end of World War II.

Murayama made the remarks in a special interview with Korean correspondents posted in Japan on the occasion of the 50th anniversary of Korea's liberation from Japanese colonial rule and the 30th anniversary of bilateral diplomatic relations.

He asserted that Japan must renounce war when asked about the necessity of a Japanese parliamentary resolution on this matter. However, he said the issue has to be resolved by the Parliament.

On North Korean-Japanese relations, the prime minister said it is unfortunate the two countries have yet to form diplomatic ties 50 years after the end of World War II. He noted that Japanese negotiations with North Korea on diplomatic normalization will move forward in close consultations with Seoul.

Queried on whether he would visit Pyongyang if relations were normalized, Murayama withheld comment and said he wanted to reserve judgement at the present stage.

In connection with providing light-water nuclear reactors to North Korea, he stated that the Tokyo government will take part in the project even before diplomatic normalization with Pyongyang if an international support system, involving the United States, South Korea, G-7 countries and China, is created to settle the nuclear issue.

He added that it would be inappropriate for him to comment on Pyongyang's demand for compensation for Japan's colonial rule and the 50-year postwar period on top of Tokyo's participation in the light-water reactor project since no decisions have been made on those matters on the part of his government. Pyongyang has claimed that compensation is one thing and assistance for light-water nuclear reactors is another.

#### **Kim Named Winner of Martin Luther King Prize**

SK3112051794 Seoul YONHAP in English 0448 GMT  
31 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 31 (YONHAP)—President Kim Yong-sam was named Saturday as the 1994 winner of the Martin Luther King Jr. Nonviolent Peace Prize, an award in memory of the famous civil rights champion given to the world's outstanding civil rights and democratic leader each year by the Martin Luther King Center for Nonviolent Social Change headed by his widow, Coretta Scott King.

Kim is the 18th winner of the prize, with African-American leader Andrew Young named the first winner in 1973. Also included in the list are former U.S. President Jimmy Carter in 1979, Bishop Desmond Tutu of South Africa in 1986, former Philippine President



Corazon Aquino in 1987 and former Soviet leader Mikhail Gorbachev in 1991.

"President Kim's life and work provide an inspiring example of uncompromising dedication to the principles of non-violence in pursuit of human rights and democracy," Mrs. King said in a letter to Kim notifying him of his designation as 1994 winner of the prize.

The King Center cited Kim, who was elected president in 1992, for leading his country toward democracy and promoting openness and freedom of speech for the first time in Korean history.

The prize is accompanied by a medal bearing the Rev. King's portrait and words.

Mrs. King will personally present the prize to President Kim in Seoul on Jan. 26. The King Center planned to announce in November that Kim was the 1994 winner, but postponed the announcement until Saturday.

#### **Officials Give New Year's Greetings to President**

SK0301111395 Seoul YONHAP in English 1031 GMT 3 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 3 (YONHAP)—President Kim Yong-sam received New Year's greetings from about 170 senior government officials and leading figures in various sectors at Chongwadae [presidential offices] Tuesday afternoon.

The well-wishers, accompanied by their spouses, included minister-level and higher officials of the legislature, judiciary and administration; key functionaries of political parties; and leading figures in wall walks of life.

President Kim took the occasion to stress that "we should hand down to our posterity a prosperous country built through globalization."

The president said Korea cannot run counter to the relentless worldwide flow toward globalization as the world economy has entered the mechanism of World Trade Organization (WTO) and thus an "awesome competitive system."

He asked the attending well-wishers to work harder by pooling wisdom and ability and in the sense of making a fresh start, according to Chongwadae spokesman Yun Yae-chun.

#### **Ruling Party Prepares Party Reform Measures**

SK3112024194 Seoul YONHAP in English 0229 GMT 31 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 31 (YONHAP)—The ruling Democratic Liberal Party set specific dates Saturday in preparing for the Feb. 7 inauguration of a new party.

The preparatory committee chaired by Secretary-general Pak Chong-su decided to launch three subcommittees—

inauguration preparation, party charter, and platform and publicity campaign—from Jan. 7 after President Kim Yong-sam announces his plans for party reform at his New Year's press conference, officials said.

The subcommittees will present their draft plans before Jan. 21, which will then be deliberated on Jan. 27. A formal announcement on party inauguration will concern posts on Feb. 2.

The Saturday meeting picked the Olympic Gymnastics Hall as the site of the inauguration ceremony and the Olympia Hall at the Korea Exhibition Center for the following reception.

Some 9,200 guests are expected at the party inauguration, officials said.

#### **Dailies' Polls on Politics, Reform, Economy Noted** SK0201062195

[FBIS Translated Editorial Report] The following is a compilation of the results of two surveys conducted respectively by KYONGHYANG SINMUN and the Taeryuk Research Institute, and by HANGYORE SINMUN and the Hyundai Research Institute, on various issues, including the political and economic situation. The results of each survey were carried in the 1 January 1995 editions of the vernacular Korean dailies.

The moderate KYONGHYANG SINMUN carried on pages 6 and 7 the 7,000-word result of a survey which the daily conducted in cooperation with the Taeryuk Research Institute. For the survey, the institute had taken a random sampling among citizens across the country, excluding Cheju Island; from 13 to 20 December 1994, its poll takers polled a total of 1,200 adults, male and female, each over 20 years of age. Its credibility level is 95 percent, with a margin of error of plus/minus 2.83 percent.

Of those polled, 40.6 percent said "the government did a poor job in executing general state affairs in 1994," while 12.7 percent said "the government did a good job." In the meantime, 59.4 percent of those polled in Kwangju and South Cholla Province, and 53.6 percent of those in Taegu and North Kyongsang Province, said "the government did poorly"; 30.1 percent of those in Pusan and South Kyongsang Province said "the government did poorly." This suggests an interrelation between regions and their political propensities. A greater part of male respondents and those in the older age group said "the government did poorly"; 44.2 percent of those with a high-income level also fell within this group.

Specifically, 70.9 percent of the respondents said "the government did poorly" in solving traffic problems. The only question the respondents showed a more positive (33.1 percent) rather than negative (19.4 percent) response to was the question of what the government did last year in the foreign affairs. Also, 51.9 percent positively evaluated President Kim's implementation of



reforms, while 48.1 percent disapproved of his reform policy. With regard to local autonomous governments, 48.6 percent said they will elect the chiefs of such governments on the basis of whether "they have the will and capability to develop their own region"; only 2.3 percent said they will take into consideration a candidate's political affiliation. As regards regional development, 46.0 percent of respondents said their regions "will develop further than before" after the local autonomy system is implemented, while 50.0 percent said "there will be little difference." The government's restructuring conducted at the end of last year received a 71.1 percent positive evaluation; 29.8 percent of those polled said government restructuring will be conducive to "renovating the working environment for government officials." In addition, 49.4 percent of respondents stressed the need to "establish discipline of public office holders and eradicate corruption," while 33.3 percent said the largest stumbling block to globalization is "government officials' lack of international-mindedness." Only one-fifth of respondents predicted the ROK will possess competitive power in the international community as befitting an advanced country.

Regarding the influence on political affairs by Kim Tae-chung, chairman of the Asia-Pacific Peace Foundation, 69.0 percent said "he is exerting an influence on politics." While those polled in North Cholla Province (72.2 percent) and those in Kwangju and South Cholla Province (57.3 percent) said "it will be desirable for him to return to politics," those in Pusan and South Kyongsang Province (80.4 percent) as well as those in Taegu and North Kyongsang Province (76.4 percent) said "it is not desirable for him to do so." With regard to the propensities to political parties, 54.1 percent responded that "there are no parties to support," showing both the ruling and opposition parties are failing to win citizens' support. The number of those who support the Democratic Party (21.7 percent) turned out to be more than those who support the Democratic Liberal Party (20.2 percent).

Regarding the policy toward North Korea, 78.8 percent of those polled said "we should prudently implement the policy toward North Korea, while taking into consideration North Korea's fulfillment of its promise concerning the nuclear issue"; 84.8 percent support the government's measures to resume South-North economic cooperation, and 83.5 percent said a galvanized South-North economic cooperation will be conducive to opening up North Korea. In addition, 50.7 percent held North Korea responsible for the discontinued dialogue between the South and North, while 44.1 percent said both the South and North are responsible.

With regard to the economic situation, 44.2 percent of the respondents said "the economic situation is difficult to some extent"; 50.9 percent evaluated the incumbent government's operation of economic policy as "it is neither good nor bad." While 37.6 percent predicted this year's economic situation will "become better," 80.9

percent of those polled said commodity prices have risen as compared with the previous year. The majority of respondents (32.8 percent) said the government should give top priority to "stabilizing prices."

Nearly half of the respondents (46.5 percent) expressed dissatisfaction with the social situation, while 33.6 percent said they felt uneasy as to whether society is stabilized.

The left-leaning HANGYORE SINMUN carries on pages 1 and 22 to 23 the 6,800-word results of its own survey on various issues. The poll had been conducted in cooperation with the Hyundai Research Institute, which had taken samples from a total of 1,200 male and female adults residing in urban areas, and who were in their 20's and 30's.

To the question about whether they will participate in the elections of chiefs of local autonomous governments, 55.1 percent responded "we will participate in the elections under any circumstances," and 36.1 percent said "we intend to participate in the elections," thus showing that more than 90 percent of the respondents will participate.

As regards their propensities toward political parties, 69.9 percent said "there are no political parties to support," expressing a strong distrust toward the existing parties. Their support ratio was as follows: Democratic Party (15.1 percent); Democratic Liberal Party (11.9 percent); and New Democratic Party (3.1 percent). Also, 64.6 percent expressed their support to the emergence of a progressive party, while 87.3 percent strongly rejected the idea of the emergence of a conservative party organized on the basis of those from the Fifth and Sixth Republics.

With regard to the possibility about Kim Tae-chung, chairman of the Asia-Pacific Peace Foundation, returning to politics, 45.1 percent said he would return to politics while 32.8 percent predicted he would not. When asked if they approve of Kim Tae-chung's return to politics, 47.3 percent opposed the idea and 32.3 percent approved.

As regards the national unification issue, 68.5 percent supported the idea of achieving national unification on the basis of "a consensus between the South and North," and 23.8 percent supported such an idea on the basis of "a consensus between the South and North with an international guarantee." As regards creating a climate for national unification, 31.6 percent regarded the exchange of letters and visits between the South and North as the urgent task; 20.3 percent regarded the exchange of commodities and economic cooperation as the urgent task; and 16.4 percent regarded the denuclearization of the Korean peninsula as the urgent task. In particular, concerning South-North economic cooperation, 90.8 percent believed such cooperation would be conducive to national unification, while 72.2 percent said it is desirable to separate politics and economics in



conducting cooperation; 71.1 percent said civilian enterprises should play the leading role in conducting such cooperation.

The respondents expressed their opinions regarding model countries which the ROK should emulate in the 21st century, with the support ratio as follows: Japan (25.1 percent); Germany (20.9 percent); Switzerland (18.8 percent); and Sweden (15.4 percent).

The result of the poll showed that only money (45.3 percent of those polled) and power (39.1 percent) can exercise an influence on ROK society, while an absolute

majority of 95.5 percent believed the gulf between rich and poor is serious, thereby showing a very negative perception of society.

As regards large conglomerates and labor policy, 90.5 percent of the respondents said nepotism in the business administration should be done away with, and 79.6 percent said each individual enterprise's business line should be intensively specialized. The result also showed that 62.9 percent of those polled maintain the formation of the labor unions of public servants and teachers should be guaranteed, while 55.4 percent of the respondents believe it necessary to organize a second federation of trade unions.



## Burma

### **KNU Issues Statement on Buddhist-Led Mutiny**

*BK0401090995 Oslo Democratic Voice of Burma in  
Burmese 0030 GMT 4 Jan 95*

[FBIS Translated Text] The Karen National Union Central Committee has issued a statement dated 1 January on the matter regarding a mutiny led by some members of the Karen National Union [KNU] currently taking place at the confluence of Thaungyin and Salween Rivers. The statement received by the Democratic Voice of Burma states that the rebellion, led by some Buddhist monks, Karen villagers, and members of the KNLA [Karen National Liberation Army], started over the religious issue.

The KNU has been trying to settle the matter peacefully since 1 December. On 7 December the rebels arrested five leading members of the KNU, who had come to mediate, and on 11 December they crossed the Salween River and headed toward the headquarters of the KNU and confiscated the weapons of security units along the way. As a result, clashes ensued between 1100 and 1600. The clashes ended on 11 December, and the mediation committee, composed of leaders from the allied organizations, attempted to mediate and resolve the problem.

A pledge for the release of detained KNU leaders and a guarantee of the security of detained leaders were made, and on 15 December a preliminary five-point agreement was signed among the KNU leaders, members of the mediation committee, members of the mutinous faction, and a Thai monk. The five points agreed were: 1) to allow members of the mutinous faction to form a committee representing Buddhists; 2) for the said committee to resolve religious issues; 3) to grant amnesty to those who participated in the mutiny; 4) for the main military units responsible to investigate and take action against those Buddhist comrades who were found to have committed an offense; and 5) to take drastic action those who violated the right to religious freedom.

An appendix stated that the KNU signed an agreement on 16 December to observe the agreement for a complete cease-fire, and the KNU central headquarters had honestly observed the agreement. The situation improved after 15 December, and there was more trust between the two sides.

However, the statement says that members of the mutinous faction announced the formation of the Democratic Karen Buddhists Organization on 21 December and entered into alliance with the SLORC [State Law and Order Restoration Council], thereby abrogating the five-point agreement. Although the KNU had made strenuous efforts to resolve the issue, the mutinous members refused to negotiate. Therefore, the KNU asked the mutinous members to return to the mainstream by the 2400 31 December deadline, and if they did not return by the deadline they would be regarded as

enemies. The KNU decided to take effective action against those who mutinied on religious grounds to form a faction and join the enemy. The KNU at the same time would continue to safeguard religious freedom for all, including Buddhists, and give protection to Buddhist monks, religious buildings, and people. The KNU will strive to safeguard the unity between the KNU and other revolutionary organizations. The KNU will welcome back comrades, officers, and units who return to the KNU fold.

In conclusion, the statement says the KNU has the responsibility to defend and safeguard the unity of the Karen revolution and the unity of all nationals, including senior Buddhist monks and other religious leaders, and the unity of the revolutionary organizations who are striving to establish democracy and a federal union in Burma. To carry out this arduous duty, the KNU urged the senior Buddhist monks and other religious leaders, national races, allied organizations, and patriots at home and abroad to work hand in hand with the KNU.

### **NCGUB Issues Independence Day Statement**

*BK0401073295 Oslo Democratic Voice of Burma in  
Burmese 0030 GMT 4 Jan 95*

[Statement issued by the National Coalition Government of the Union of Burma on Burma's 47th Independence Day on 4 January; place not given]

[FBIS Translated Text] On this auspicious day of 4 January 1995, which marks the 47th anniversary of Independence Day of Burma, the National Coalition Government of the Union of Burma [NCGUB] urges all citizens of Burma, who are actively participating in the movement to liberate the country, to remember all national martyrs, who gave their lives for the liberation of the motherland, and to observe the policies laid down by the heroes of the independence struggle.

General Aung San said the unity among the national races is not only essential for achieving independence but important for maintaining independence. He said that had the Mon, Bahma, Rakhine, Shan, and other national races pursued their own course of action for independence, we would not even be able to dream of achieving independence. Gen. Aung San, who was aware of the importance of national unity for the country's prosperity, worked for mutual trust and understanding among the national races and obtained their support for signing the Panglong Treaty. This historic experience proved that national unity could not be achieved through the path of coercion, but only through consultations and respect of one another's views and opinions. The SLORC [State Law and Order Restoration Council] is claiming it is holding consultations and has obtained considerable achievement for preventing national disintegration and obtaining national reconciliation. Contrary to this claim, the country's situation is marked by unprecedented social and economic discrimination. If



this point is not noted, the country is likely to disintegrate into many pieces. The true situation of Burma today is reflected by defiance shown against the SLORC military clique by all national races and students—the hard core of the 1988 democracy movement—who have their own army.

Although the SLORC is claiming success for its market economy, one-third of children in Burma—which was once known as the rice bowl of Asia—are suffering from malnutrition. A majority of the local people suffer from unemployment and poverty, while the SLORC Army continues to violate human rights in urban and rural areas where people suffer from forced labor and dislocation. The socioeconomic fabric of the people is being destroyed to such an extent that the people are forced to flee the country. The sale of prostitutes to Thailand is increasing, and this reminds us of the warning from Gen. Aung San, who said that if there is no discipline the country will become a nation of prostitutes.

The NCGUB firmly believes that national reconciliation is the only solution to the country's political and economic problems. The SLORC should change its position and again search for the meaning of national reconciliation. The recent offensive against Manerplaw and Daunggyin shows that the SLORC only seeks a military solution. If the SLORC genuinely wants national reconciliation, it should end talks with Aung San Suu Kyi in her status as captive and release her unconditionally and give her direct access to news agencies and her political allies. The way to achieve national reconciliation is for the SLORC to avoid creating conditions with an assumption that everything can be achieved without giving up anything. At such an important junction, we need to strive relentlessly to achieve democracy, and the international community must step up pressure on the SLORC. Therefore, the NCGUB urged the entire country to march ahead in unity with diligence and discipline so that Burma will again be free.

### **Muslims Urge UN Intervention Against SLORC**

*BK0401104495 Oslo Democratic Voice of Burma in Burmese 1430 GMT 3 Jan 95*

[FBIS Translated Text] Dear listeners. The Burma Muslim Liberation Organization [BMLO] sent a letter on 3 January to the secretary general of the United Nations on the SLORC [State Law and Order Restoration Council] armed forces' atrocities against the Muslim brethren in Arakan State. Following are excerpts of the statement, signed by BMLO Chairman U Kyaw Hla.

On behalf of the Muslim brethren, I would like to request assistance to prevent the SLORC military clique's inhuman atrocities against Muslims in Burma. I would like to bring to the attention of the UN secretary general some recent events. The SLORC armed forces and the police encircled and besieged the Muslim village of Pale in Minbya Township, Arakan State, before dawn on 20 July and captured 636 villagers, including women and

children. They put the villagers into five boats and left them without supplies at the Bangladesh border near Maungdaw. Another similar tragic incident occurred on 9 October. On that day, 1,893 villagers from five villages in the former Arakan State capital of Mrauk-U Township were forcibly evicted from their homes and relocated at sites in Maungdaw Township. Their fate is still unknown.

Furthermore, the SLORC planned an appalling event on 25 November. The SLORC used the soldiers, whom the people trust, to stone some shops owned by Muslims in Narzi Village Market in central Akyab. These incidents were transformed into anti-Muslim riots which lasted until 27 November. Three Muslims died and 28 were injured. Five mosques and some Muslim residences were destroyed, and a dusk to dawn curfew has been maintained in Akyab since then.

Regarding the atrocities committed by the SLORC against the Muslim brethren, I humbly appeal to the UN secretary general to inquire into the matter as soon as possible and to use his influence to protect the minority Muslim brethren in Arakan State from future SLORC atrocities.

Before ending this letter, I would like to present some matters relating to the conflict within the Karen National Union, KNU, between the Karen Buddhist soldiers and the Karen Christian leadership. There is clear proof that SLORC agents are the source of this trouble, and this incident also proves that the SLORC exploits religious differences for its own selfish ends.

### **Return of Muslim Refugees From Bangladesh Noted**

#### **Report for 19-20 Dec**

*BK0401114895 Rangoon THE NEW LIGHT OF MYANMAR in English 22 Dec 94 p 7*

[FBIS Transcribed Text] A total of 1,591 persons of 313 households arrived back at reception camps from Bangladesh on 19 and 20 December under the agreement reached between Myanmar [Burma] and Bangladesh.

Altogether 128,309 persons of 26,666 households have been received so far since 22 September 1992.

#### **Report for 21-22 Dec**

*BK0401113795 Rangoon THE NEW LIGHT OF MYANMAR in English 27 Dec 94 p 7*

[FBIS Transcribed Text] A total of 1,627 persons of 306 households arrived back at the reception camps from Bangladesh on 21 and 22 December under the agreement reached between Myanmar [Burma] and Bangladesh.

Altogether 129,936 persons of 26,995 households have arrived back so far since 22 September 1992.

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**Report for 23 Dec**

**BK0401115095 Rangoon THE NEW LIGHT OF MYANMAR in English 28 Dec 94 p 7**

[FBIS Transcribed Text] A total of 803 persons arrived at the reception camp from Bangladesh on 23 December under the agreement reached between Myanmar [Burma] and Bangladesh.

Altogether 130,739 persons have arrived back so far since 22 September 1992.

**Brunei, Malaysia & Singapore**

**Malaysia**

**Visit of British Minister Clarke Reported**

**Clarke, Entourage Arrive in Penang**

**BK3112095494 Kuala Lumpur Voice of Malaysia in English 0800 GMT 31 Dec 94**

[FBIS Transcribed Text] British Chancellor of the Exchequer Kenneth Clarke arrived in Penang today with his wife and a six-member delegation on the first leg of his Southeast Asian trip. Clarke and his entourage will be on a sightseeing trip of the island before departing for Kuala Lumpur on Tuesday.

**Minister Outlines Trade Interests**

**BK0301145495 Kuala Lumpur RTM Television Network 1 in Malay 1200 GMT 3 Jan 95**

[FBIS Translated Text] Kenneth Clarke, British chancellor of the exchequer and deputy prime minister, called on Deputy Prime Minister Datuk Sri Anwar Ibrahim in Kuala Lumpur today.

He said that Britain had been attracted by Malaysia's 8 percent economic growth that has remained stable for seven consecutive years. Britain is focusing on the financial and insurance sectors.

Clarke is leading a delegation of six members, including some businessmen. This is a new development in trade relations.

The meeting between Clarke and Anwar Ibrahim is considered to be significant because the British chancellor of the exchequer had not visited Malaysia for a long time.

During the more than one-hour meeting, Clarke asked that Malaysia relax regulation of its financial sector. He said the sector subsequently can expand further and become more competitive, either internally or externally.

Clarke also expressed interest in the fields of telecommunications, power generation, telecommunication facilities, and machinery.

Datuk Clifford Herbert, secretary general of the Treasury, was also present at the meeting. He said that during the meeting they also commented on the Labuan Offshore Bank and its ability to attract international banks to operate on the island.

[Begin Herbert recording in English] They wanted to know really what was our direction. And I think we said that Labuan is something that we have given priority and we want to develop, and they mentioned whether there are any changes in the legislations and such things. But the general feeling was they are quite happy very the legislative framework now. But they did express the opinion that perhaps, infrastructure is to be improved and there may be some small, small changes which we could make now; now that we have had already some experience in running an offshore financial center. And this we are looking into. [end recording]

**Commentary Views Economic Assistance to Cambodia**

**BK0401104995 Kuala Lumpur Voice of Malaysia in English 0810 GMT 4 Jan 95**

[Station commentary]

[FBIS Transcribed Text] The large-scale investment by a Malaysian company in Cambodia is without doubt a big vote of confidence by the international business community in investing in the Indochinese nation. An expected spinoff of the mega project is that it will pave the way in attracting other multinational corporations to invest significantly in Cambodia. Therefore, the massive U.S.\$1 billion development of the Sihanoukville region represents the major and positive response by Malaysia's private sector in assisting Cambodia's reconstruction and redevelopment programs. It also demonstrates Malaysia's commitment to help Cambodia through this crucial period of economic development.

The new government should be commended for the remarkable stride it has made since its establishment. It should be realized that the changes and reforms usually require great sacrifice, painful adjustment, great patience, and discipline.

In efforts to reconstruct Cambodia, the passage of the new investment laws is a step in the right direction. It is hoped that the country will preserve in its efforts to further liberalize and develop the economy. Beside fitting in well with Cambodia's push for jobs creation, the mega project will aid its continuing war on poverty. Poverty, not the Khmer Rouge, is the biggest problem facing this one war-torn country. It is clear that development, not arms, is the key to solving the problem.

As First Prime Minister Norodom Ranariddh pointed out, if poverty can be wiped out, all sorts of problems can be eliminated. His plans to develop Khmer Rouge territories, if carefully and effectively executed, could go a long way in winning the hearts and minds of followers of this once dreaded regime. Economic prosperity can be a



powerful weapon in exposing the failure of the communist ideology. Hopefully, development will be a major factor in leading to defection among the Khmer Rouge.

Cambodia should not wait to achieve security but rather provide that security through rural development program. Ranariddh is also all for the integration if the Khmer Rouge abandoned their way—something which the outlawed group should seriously consider. After all the deteriorating economies of the former Soviet states should be a firm reminder of how a centrally planned economy has failed miserably. Only economic development will put the country in a good position to reap the many business opportunities in the region. To a large extent it will also expedite its full membership into ASEAN.

Currently, Cambodia rests a lot of hope on aid from the U.S. and Japan, and international bodies like the World Bank. This can never be enough for a country nearly in ruin after the Pol Pot regime genocidal preoccupation. Self-reliance is all-important to safeguard its sovereignty. Malaysia has full confidence and will do whatever necessary to help Cambodia revitalize its economy.

The international community needs to help Cambodia keep faith in democracy not by preaching to them but by giving them a helping hand in areas which really matter.

#### **Inaugural Royal Air Cambodge Flight Arrives**

*BK0201075095 Kuala Lumpur Voice of Malaysia in English 0600 GMT 2 Jan 95*

[FBIS Transcribed Text] Cambodia's First Prime Minister Prince Norodom Ranariddh and Second Prime Minister Hun Sen were among 135 passengers who arrived in Kuala Lumpur this morning on the inaugural Royal Air Cambodge flight. This is the first joint trip by two prime ministers to Malaysia.

The Cambodian leaders were received by Transport Minister Datuk Sri Dr. Ling Leong Sik, Domestic Trade and Consumer Affairs Minister Datuk Abu Hassan Omar, who is the acting foreign minister.

Prime Minister Datuk Sri Dr. Mahathir Mohamed will attend a luncheon, and later, with the two Cambodian premiers, witness the signing of an agreement between Ariston, a local company, and the Cambodian Government at a hotel in Subang, near Kuala Lumpur.

Under the agreement Ariston will undertake a U.S. \$1 billion development project in Sihanoukville, southern Cambodia.

### **Singapore**

#### **Goh Supports Stronger India-ASEAN Ties**

*BK0401115295 Singapore THE STRAITS TIMES in English 4 Jan 95 p 3*

[FBIS Transcribed Text] Singapore welcomes the "deepening and broadening" of links between India and other

ASEAN nations and supports India's elevation to full dialogue status in the six-member regional grouping, said Mr. Goh Chok Tong.

The Prime Minister noted that the ASEAN-India sectoral dialogue had made progress since its inauguration two years ago, in particular, in science and technology, and tourism. These had strengthened the institutional linkages between ASEAN and India, he said in the interview with THE HINDU daily.

"India has been forthcoming in building these links. More time is needed for the ASEAN-Indian relationship to mature. Singapore supports India's elevation to full dialogue status in the future," he said.

India has also expressed interest in becoming a member of the Asia-Pacific Economic Cooperation (APEC) forum, which groups 18 countries.

Asked what should be the criteria for new membership to APEC and whether it was fair that admission should be on predominantly economic grounds, he said the forum would study guidelines for future membership after a three-year moratorium runs out next year.

"APEC is a relatively young organisation and needs to consolidate itself. Also, APEC cannot afford to be arbitrary in admitting new members," he said.

Since APEC is an economic forum, a major criterion would be economic considerations such as the extent of trade and investment links between a prospective member and the APEC economies. Other criteria include geographical location and the level of interest in working towards free trade, he added.

#### **Premier Cites Areas for Cooperation With India**

*BK0401120095 Singapore THE STRAITS TIMES in English 4 Jan 95 p 3*

[By Irene Ngoo]

[FBIS Transcribed Text] India's economic reforms have made the country more attractive for foreign investors and have opened up many new areas of cooperation between Singapore and India, said Prime Minister Goh Chok Tong.

In an interview with THE HINDU, a major English-language daily in New Delhi ahead of his four-day visit to Calcutta yesterday, he said that as countries competed for foreign investments, India had no choice but to open up if it did not want to be left behind.

He praised Indian Prime Minister P.V. Narasimha Rao, who is under pressure to introduce populist measures after recent state-election defeats, for his political will to liberalise the economy.

"I have read of criticisms that Prime Minister Rao is not liberalising the economy as fast as it should be. But I think the people who made such criticisms do not have a full grasp of the difficulties involved in reforming a big



and complex country like India," said Mr. Goh, who was asked for his assessment of India's three-year-old free market reforms.

The reforms have made India more attractive to foreign investors."

The economic reforms were started by Mr. Rao after he took office in June 1991 and sought to bury four decades of closed-market policies.

Critics inside and outside Mr. Rao's Congress (I) Party have charged that they have not brought any tangible benefits to India's millions of poor. But Mr. Rao has vowed to press on with them.

Said Mr. Goh, who is visiting India for the second time in a year: "I hope other leaders and workers still support the Indian Government's move to liberalise the Indian economy."

He added that the experience of the Asian Newly Industrialised Economies had shown that the free market, coupled with a competitive private sector and political-social stability, could boost the living standards of the people dramatically.

"India can draw from this experience and that of China and Indonesia to decide the pace of its economic reforms."

From the bilateral perspective, he said the reforms had opened up new areas for cooperation between Singapore and India, for example in developing tourism in India.

He said that Singapore was also considering tourism-related projects like hotels and projects to develop ports, airports, airlines, telecommunications and property development.

Noting that Indian corporations were strong in heavy engineering products and services and chemicals, he urged them to tap into the rapidly growing regional markets of East Asia.

Singapore offered a convenient base for their regional headquarters, he said in the wide-ranging interview based on written questions submitted by THE HINDU's South-east Asian correspondent, Mr. Sridhar Krishnaswami.

On problems of doing business with India, Mr. Goh said some Singaporean entrepreneurs would like more facilitation assistance for their projects and more information on business opportunities and operating conditions in India.

He said that stemmed from a relative lack of familiarity with many parts of India and suggested that Indian delegations visit Singapore to explain the changes and opportunities in the sub-continent.

#### **\* Outlook for Stock Exchange in 1995 Viewed**

95SE0049A Jakarta BISNIS INDONESIA in  
Indonesian 21 Nov 94 p 4

[Article by Utari S. Sjarifuddin]

[FBIS Translated Text] The Singapore stock exchange has better prospects for 1995. Corporate income will increase by 20 percent, while overall economic conditions will give positive support. The general election to be held in 1995 is not expected to bring any surprises, because, in view of the government's success in maintaining economic stability, PAP, or People's Action Party—which dominates the government—is certain to win again.

Singapore's economic growth in 1995 is expected to be around 7 to 8 percent, quite good although lower than in 1994, when growth reached 10 percent instead of the projected 9 percent. Exports will rise by 14.6 percent and imports by 14.5 percent over 1994 positions.

The value of market capitalization on the Stock Exchange of Singapore [SES] as of 30 June 1994 was \$641.089 billion [Singapore dollars], equal to 944.965 trillion rupiah, for about 374 listed companies.

This APEC [Asia Pacific Economic Cooperation] member country, with an area no larger than DKI JAYA [Greater Jakarta Special Capital Area], is a center for turnover of money in the Asia Pacific region. Because the control of Singapore's economic wheels is performed with great efficiency and although its population is no more than 2.9 million, its per capita GNP [gross national product] is \$18,025 [U.S. dollars], higher than 12 other APEC member countries, most of which are in Asia.

The electronics industry emerges as the prima donna in supporting economic strength. In the first seven months of this year, the industry's production jumped 23 percent over the same period in the previous year. This jump in output was driven by increased foreign demand, especially from Asia and the United States.

Thus, companies in the electronics sector that are listed on the SES and that have large market capitalization, such as Acma, Clipsal Industries, Goldtron, GP Batteries International, and Singapore Electronics & Engineering, have won strong sentiment on the market.

It is not only the electronics sector that gives positive support to the Singapore stock exchange, however. Overall economic conditions also have positive impact on the floor of the market.

As we know, the SES has four markets: the main board—the primary exchange—with a market capitalization value of \$222.87 billion [Singapore dollars] for 213 listed companies; SESDAQ—the second exchange—worth \$3.32 billion for 35 public companies; stock options, which have a market capitalization value of \$208.522 billion; and CLOB International—the parallel exchange—worth \$206.375 billion for 216 public companies as of 30 June 1994.

The total trading volume of the four markets during the first semester of 1994 was 25.653 billion units worth \$67.303 [as published], which is equal to 99.339 trillion rupiah. During the same period, transactions on the



Jakarta Stock Exchange, which consists of both regular and nonregular exchanges, reached only 5.371 trillion rupiah for the 200 listed companies.

The SES experienced a decline in turnover from the previous semester, i.e., the second half of last year—July to December 1993. This decline was the result of increases in interest rates, which happened five times since the beginning of this year. The exception was the Federal Reserve's sixth increase in interest rates, 0.75 percent on 15 November 1994, which had a positive effect on the Singapore stock exchange. The STRAITS TIMES index rose 5.32 points in trading last Wednesday [16 November] to 2,346.50, or 13.87 points higher than the position of 30 June.

This fact may prove that the SES is strong enough to stand the shock of higher U.S. interest rates. This situation gives a positive psychological motivation to investors, especially because it is supported by strong domestic economic factors.

### Cambodia

#### King Sihanouk, Wife Arrive in Phnom Penh 4 Jan

BK0401114995 Phnom Penh National Radio of Cambodia Network in Cambodian 1100 GMT 4 Jan 95

[FBIS Translated Text] His Majesty King Norodom Sihanouk Varaman and Queen Norodom Monineat Sihanouk already returned to the motherland at 0200 on the afternoon of 4 January.

On hand to welcome the king and queen at Phnom Penh's Pochentong International Airport were Samdech Chea Sim, acting head of state of the Kingdom of Cambodia; Prince Krompreah Norodom Ranariddh, first prime minister of the Royal Government of Cambodia [RGC], and his wife, and Samdech Hun Sen, second prime minister of the RGC, and his wife. Also present were deputy prime ministers; state ministers; ministers; state secretaries; under state secretaries; MPs; generals and senior officers of the Army, the Police, and the Military Police; leaders of various services and institutions, as well as members of the royal family.

In addition, ambassadors and representatives from various embassies and international organizations in Cambodia were also present at the airport to welcome the arrival of the king and queen.

#### Thai Military Support for KR 'Far From Over'

BK0401090795 Phnom Penh PHNOM PENH POST in English 30 Dec 94-12 Jan 95 p 5

[Report by Tom Fawthrop]

[FBIS Transcribed Text] While international pressure has had some effect in curbing Thai military support for

the Khmer Rouge [KR] in recent months, the secret fifteen year old partnership with the Pol Pot group is still far from over.

A Western diplomatic analyst concluded last month that the Thai army had scaled down their assistance to "point to point border access, purchase of fuel and other commodities but much less network support."

In Siem Reap, 4th military region commander General Khan Savoeun said this month: "Thai assistance to the Khmer Rouge... I don't know and I can't say."

After the Khmer Rouge massacred 22 Thai loggers in Preah Vihear province November 25, Thai premier Chuan Likphai sent a directive to the governors of the seven border provinces ordering them to cease any kind of cooperation with the KR.

Foreign Minister Ing Huot, returning from Thailand on December 19, said: "We are very satisfied with the move the Thai government has made; it's the best news we've heard."

The change seems to have been rapid. On August 11 the Cambodian news agency AKP—which normally reflects official thinking—said: "Bangkok utilizes the Khmer Rouge the same way as it used to do in the time of His Majesty the King in the 1950s and 1960s with the Khmer Serei [now defunct anti-Sihanouk freedom fighters]."

International observers are not convinced however that the Thai military is as committed as Likphai in viewing Cambodia as little more than a buffer between Vietnam and themselves.

During the UNTAC [UN Transitional Authority in Cambodia] period United Nations military observers were deployed on Cambodia's borders with Vietnam, Laos and Thailand to ensure that military supplies were stopped.

They were unanimous that neither soldiers nor weapons came into Cambodia from either Vietnam or Laos.

Thailand however resisted UN military observers (UNMOs) being stationed on their side of the border, and UNMOs reported seeing new AK47 rifles in Cambodia's eastern provinces.

After the May elections, in July 1993, the KR seized the mountainous Preah Vihear temple which could only feasibly be taken from the Thai side of the border—though the Thais denied this.

A 1994 report by the Washington-based Cambodian Study Group—in the wake of the Cambodian army's defeat at Anlung Veng and Pailin—quoted KR defectors as saying Thai-speaking military advisers provided training to the KR's 903 regiment.

It quoted KR defector Kan Peay saying that the KR army supplied food, medicine, ammunition and antitank mines to the KR's Borei based north of Pailin.



Reports now from high-ranking KR defectors of the rebel 908th division based in Kulen, Siem Reap confirm that the Thai crack down is beginning to hurt.

980th division General Huot Him said: "We have many problems with supplies from Thailand, before it was easy but now it is more difficult."

Fellow defector Colonel It Sam, who like General Him used to get his orders directly from Pol Pot's military chief Ta Mok, said that Ta Mok bitterly complained to him a few months ago in Anlung Veng that Thailand had made everything more difficult.

However, Colonel Sam said the weapons supply line was not closed but substantially cut back.

"Ta Mok spoke of many problems. He had to spend huge amounts to gain access to Khmer Rouge weapons stored in Thailand. These were old stocks, China does not supply any new weapons."

RCAF [Royal Cambodian Armed Forces] command is aware that many KR arsenals have been moved across the border into Cambodia, so in the event of a complete shutdown by the Thai military the KR could still fight on—but not for long.

"If we have no more supplies from Thailand then the Khmer Rouge will die off," General Him said.

#### **Ranariddh Rides on RAC Inaugural Flight**

*BK0201084295 Phnom Penh National Radio of Cambodia Network in Cambodian 0500 GMT 2 Jan 95*

[FBIS Translated Text] Prince Krompreah Norodom Ranariddh, first prime minister of the Royal Government of Cambodia, presided over the inaugural flight of Cambodia's national carrier, Royal Air Cambodge [RAC], at Pochentong International Airport this morning, 2 January.

Speaking at the ceremony, the prince said today marks the rebirth of the RAC international airline. The RAC's airplanes, he added, are important airliners in Southeast Asia and will start international flights from Pochentong International Airport to several ASEAN states. The prince added: This inaugural flight not only symbolizes the business partnership between the RAC and Malaysia Helicopter Services and Malaysian Airways, but also promotes the strong bilateral friendship between Cambodia and Malaysia, thus contributing to rehabilitating and developing Cambodia toward progress and prosperity.

#### **Finance Minister Outlines 1995 Economic Plans**

*BK0401104795 Phnom Penh PHNOM PENH POST in English 30 Dec 94-12 Jan 95 p 15*

[Report by Matthew Grainger]

[FBIS Transcribed Text] Cambodia has stuck to its program of economic reform throughout 1994 despite

difficult conditions, the Ministry of Finance has told the International Monetary Fund (IMF).

In a report obtained by the Post, Finance Minister Keat Chhon also highlighted Cambodia's wide-ranging economic plans for 1995, including:

- announcing in February the removal of the prohibition of rice import, effective from November;
- privatizing rubber trader KAMPEXIM and petroleum distributor CKC, and preparing by March a broader list of more enterprises to be privatized;
- introducing of a new foreign exchange law;
- planning the total reform of the civil service;
- consideration given to the privatization of the Foreign Trade Bank;
- paying debt arrears to all official creditors;
- resolving the "cross-claims" of debt between government and public enterprises.

During the next two years the government will also move to revamp the tax system.

The IMF has been told that the effective burden of taxes on consumption would be raised, including increased taxation on petroleum products. Taxes on motor vehicles would also be increased.

"Over the medium term, the government plans to work toward implementation of value-added tax (VAT)," the report said.

The government will also shed a quarter of Cambodia's 150,000 civil servants by 1997.

"In order for the reform program to be administratively and politically sustainable, the government intends...to protect groups adversely affected...with support from the World Bank and other donors," the report says.

Signed by Keat Chhon and National Bank governor Thao PengLeat, the report notes that in 1994 inflation had been contained, although slightly above target, and stability in the exchange rate had been restored.

"These developments owe much to a firm fiscal policy, with revenue growth strong and current expenditure under control," the report said.

The government's reform program "as a whole" remains on track, it said.

It appears the government is happy that the financial reforms—though somewhat loosened from the IMF's initial requirements—"are adequate to achieve the objectives of the program."

However, the report stresses that "corrective measures" during the next year would be taken if required to meet the objectives.

The government told the IMF that its objectives in 1995 were to achieve a seven percent growth rate and keep the annual inflation rate at around 10 percent.



Cambodia's output growth through 1994 was 5.25 percent (below the envisaged 7.5 percent). Reduced agricultural income due to flooding was cited as the reason.

Inflation—targeted at nine percent for the quarter—actually reached 20 percent.

"The high inflation has in part been associated with a surge in food prices, but in the second half of 1994, increased liquidity growth also played a role, the report said.

Gross foreign reserves, targeted at \$92 million, reached a high of \$131 million at the end of September.

Slower growth in domestic credit in the last quarter had been targeted to curtail price pressures.

### **Government's 1994 Achievements Reviewed**

*BK0401103095 Phnom Penh PHNOM PENH POST in English 30 Dec 94-12 Jan 95 p 19*

[FBIS Transcribed Text] Under the clear guidance of His Majesty the King, the symbol of unity, the Royal Government of Cambodia completed its first year of office in November 1994.

The first achievement was establishing the political environment which is favorable to rehabilitation, reconstruction and development. With the help of His Majesty, who has been vital for political stability, the Government is promoting national reconciliation among the parties which joined the election in May 1993.

From a situation of permanent confrontation, the Government has been adopting a policy of cooperation, under the framework of the Constitution, democratically adopted by the first constituent assembly. During the first year, the Government has been promoting political stability, which means that any difference, any quarrel, any problem that occurs can be settled through the democratic process.

The successful suppression of the coup attempt in July 1994 was a demonstration of the firm determination of the Government to enforce the Constitution, to respect the law of the country. It was also a demonstration of unity and cooperation between the two main parties.

The second achievement is the smooth transfer of power from the preelection authority to the legitimately elected Government. The ruling majority understands it will run the country only for a period of time, as defined by the Constitution. The majority also understands it has to listen to the minority, and the minority usually expresses its voice through a free press.

The Government has successfully integrated the three main parties, and is making every effort to integrate the armed units of the former political factions into one unique Royal Cambodian Armed Forces [RCAF]. The Government is also continuing to make efforts to reform

so that the RCAF becomes truly an army of the people, for the people and the nation of Cambodia.

As far as the Khmer Rouge are concerned, the Government's policy is to fight the outlaws with rural development, anti-guerrilla techniques and psychological warfare and by building up the village militia.

At the same time, Government is encouraging Khmer Rouge soldiers to defect in the framework of national reconciliation. Many of the thousands who defected in 1994 have been integrated into the RCAF, and others have been provided with training in alternative areas. The Government's continued strategy is to promote economic development in rural areas so villagers in Khmer Rouge areas will also join the Government side.

The third achievement of the Government during its first year of office is economic development. We have succeeded in reducing inflation—from 31 percent for the 1993 year to 7.9 percent for 1994. In monthly terms, the inflation rate has been reduced from 137 percent for the month of October 1993 to 0.1 percent in October 1994. The Government has also succeeded in maintaining monetary stability—the riel is now stable compared to the US dollar for the first time.

We now have a national budget within a budget law adopted by the National Assembly, which means any expenditure must be in the framework of the law and all State income must go through the State coffers. In addition, the Government has undertaken economic reforms, including reforms in the areas of banking, taxation and customs. Private investment is the highest it has ever been, with more than \$US 2 billion registered since the promulgation of the Foreign Investment Law in August 1994, in many fields, from agriculture to manufacturing to tourism. This encouraging fact can bring hope to our people. In the area of tourism, despite frequent bad reporting about Cambodia in the national and international media, the country continued to receive a large number of tourists compared to 1993. Daily flights from Phnom Penh to Siem Reap increased from one to five—and some times seven—flights per day.

Fourth, for the first time in many years, Cambodians can enjoy democracy, seen especially in the proliferation of the free media in the large number of Non-government organizations (NGOs) spread throughout the country.

We are working on different studies in order to make reforms—reform in the civil administration, reform in the judiciary, reform in the police. So that all the institutions of the State become the civil administration of the people, of the country. The objective is to make the administration an effective, neutral, simple one, to make the administration responsive to the interests of the people, to provide public services with high efficiency, and to support projects for development.

Because Cambodia has just emerged from 23 years of war, destruction and violence, the Government faces a



daunting task. But these accomplishments have been carried out despite the continued efforts of the Khmer Rouge, and these achievements are encouraging.

The path is long and difficult, but the Government is determined to overcome any obstacle to attain the final objective which is to build a new nation in which the people will enjoy real democracy, freedom and economic development. So sweat and courage are needed.

#### **Commentary Cites, Praises National Progress**

*BK0401112495 Phnom Penh National Radio of Cambodia Network in Cambodian 1300 GMT 3 Jan 95*

[Political commentary: "While the Dog Barks, the Train Moves On"]

[FBIS Translated Text] At the launching of the inaugural flight of the national carrier, Royal Air Cambodge, on 2 January, the first and second prime ministers, Prince Krompreah Norodom Ranariddh and Samdech Hun Sen, and their Malaysian counterpart His Excellency [H.E.] Mahathir Mohamed witnessed the signing of an \$1 billion agreement for the Malaysian company Ariston to develop Sihanoukville. The prince, in the message of thanks issued on his 51st birthday, pointed out that in just over four months, investment capital has surpassed \$2 billion and 20,000 jobs have resulted from the investments of 48 companies.

The situation has clearly reinforced the progress made by the Kingdom of Cambodia and proved the high sense of responsibility of the Royal Government of Cambodia [RGC], which is under the correct and skillful leadership of His Majesty King Norodom Sihanouk Varaman. These events also show that the future of our Angkor motherland will be glorious and brilliant in accordance with the desires of our people, who want nothing but security and peace so that they will have the opportunity to restore and redevelop the homeland.

Maureen Steinbruner, director of the U.S. Center for National Policy, said the pace of development was unbelievable. In an audience with Prince Ranariddh, Steinbruner said the speed of the development process was impressive compared with what she saw during her previous visit.

These achievements have disappointed and infuriated the Khmer Rouge rebels and the handful who sold out to them. Everyone knows that after boycotting and refusing to participate in the UN-organized elections, the outlawed Khmer Rouge has, for more than a year, not only failed to recognize the elected RGC, but also made its maximum effort to topple the government, nullify the Constitution, and erase the achievements of the international community. Aside from burning and destroying elements of the national infrastructure, the rebels and bandits have also carried out lightning attacks and committed devastation, making local and international investors feel unsafe and consequently shifting their investments to other countries.

Furthermore, those ambitious and selfish egotists, who have amassed money from selling gems and logs, and some foreign newspapers have shouted incessantly about the so-called unstable situation here. The ASEAN secretary general, who recently visited Cambodia, said a number of foreign newspapers had grotesquely exaggerated the situation. Nevertheless, truth always prevails over falsehood. In spite of the calumnies they declaim with their dying breaths, the rebels and their cronies can never prevent local and international investors from investing here. This is consistent with the traditional saying: While the dog barks, the train moves on.

#### **Further on Khmer Rouge Train Ambush**

*BK0301130595 Hong Kong AFP in English 1235 GMT 3 Jan 95*

[FBIS Transcribed Text] Phnom Penh, Jan 3 (AFP)—Cambodia's Khmer Rouge guerrillas shot dead a militiaman and seven train passengers near Phnom Penh in their second railway ambush in little more than six months, officials and survivors said Tuesday.

"The Khmer Rouge killed eight people, including four women, and wounded thirty-six," state railway director Pich Kimsreang told AFP.

"They ambushed the train in Samaki Meanchey district, Kompong Chhnang province on Monday afternoon," he said, referring to an area around 60 kilometres (35 miles) northwest of the capital.

The guerrillas stopped the train by blowing up the railway tracks, then opened fire on the carriages with machineguns and B-40 rockets, said the deputy commander of the train militia, who survived the attack.

"First the Khmer Rouge exploded five mines on the track then they opened fire. Our militia retreated because we only had 20 men but they had about sixty," Chum Pum said, adding his brother was the sole militiaman killed.

The seven other victims of the attack, including the four women, were civilians. One other militiaman was wounded and the other casualties were civilians, Chum Pum said.

The ambushed train was laden with peasants riding to Phnom Penh to sell farm produce, Chum Pum said.

"After the raid, the guerrillas started to rob things from the passengers," Chum Pum said, saying that most of the attackers were wearing Khmer Rouge uniforms.

Railway officials said the train was seriously damaged in the attack and several coaches were derailed.

Cambodia's ancient and decrepit railway system, with its slow-moving trains, is a frequent target for the Khmer Rouge and rural bandits. Passengers say the 20 or so train militiamen offer little protection.



Most of the victims of train ambushes are ordinary Cambodian citizens, some of whom may be kidnapped, as well as robbed, and only released if their relatives pay a ransom of some kind.

Government soldiers arrived at the scene of Monday's train ambush after the Khmer Rouge had left, another survivor told AFP, saying he did not understand why the soldiers took so long to show up.

"I don't know why the government troops didn't come to help us in time, because the attack took place close to the government base," he said.

On July 26 Khmer Rouge guerrillas ambushed the southern-bound train from Phnom Penh to Sihanoukville, killing 13 passengers and marching off several others, including three westerners, to their deaths several months later in the jungle.

Some government officials admitted that in the July attack the government police supposedly guarding the track may have been acting with the Khmer Rouge ambushers, and conveniently ignored the ambush in exchange for a share of the spoils.

#### **NADK Reports Victory Over 37th Regiment**

*BK0301010395 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 2 Jan 95*

[FBIS Translated Text] The 300-strong 37th Regiment formed the core force of the 14th Division. This former para [non-communist anti-Vietnamese resistance forces] unit had been marooned in Kulen district by the communist Vietnamese puppets since after the formation of the traitorous two-headed government. Prum Samen, communist Vietnamese puppets' army chief attached to the 4th Military Region in Siem Reap, sent this 14th Division to die in his place on the Choam Khsan battlefield in Preah Vihear Province with the 37th Regiment put at the front in the vicinity of Ta Em, west of Choam Khsan.

As of 14 December, the men of the 37th Regiment—and those of the 14th Division as a whole—were surrounded by our National Army of Democratic Kampuchea in fields of poisonous stakes, punji sticks, punji pits, cross-bows, booby traps, and all types of mines. Each day at least four to 10 of them were killed by either our mines or our snipers. The 37th Regiment alone suffered the following losses:

1. Forty-four of them were killed and 17 others wounded.
2. Two hundred others were afflicted with malaria, typhoid fever, hemorrhagic fever, and crippling fever with many of them dying.
3. The remaining troops, after carrying their wounded and sick comrades to the rear, deserted.

In sum, from 14 to 30 December we completely decimated the forces of the 37th Regiment, and we are continuing to seek and destroy the rest of the 14th Division.

#### **Khmer Rouge Lose Ground in Kampot, Siem Reap**

*BK0401102495 Phnom Penh PHNOM PENH POST in English 30 Dec 94-12 Jan 95 p 1*

[Report by Ros Sokhet and Ker Munthit]

[FBIS Transcribed Text] The Khmer Rouge have suffered two body-blows in the past nine days.

On December 21 in Kampot, rebel General Nuon Pet and his forces were routed after a two-week battle and their key southern base of Kaoh Sla overrun, claim Royal army chiefs.

Just five days later in Siem Reap, 275 guerrillas from the rebel division 912—a fighting unit responsible for military action in five of the province's largest districts—defected en masse with weapons. More are expected to follow.

In both cases, Royal army commanders are claiming that the Khmer Rouge are no longer capable of effective military operations in their provinces.

"Kampot is a peaceful province from today," Lieutenant General Sok Bunsoeun, deputy commander of RCAF [Royal Cambodian Armed Forces] division 5 in Kampot, told the POST on December 21. "It is a great victory."

In a telephone conversation on December 27, Siem Reap deputy governor Hem Bun-heng said: "The Khmer Rouge presence in this province is getting close to disappearing. I have very little concern about their ability to carry out activity in Siem Reap."

After a fierce two-week battle, involving 1,800 RCAF troops assisted by three tanks and three armored personnel carriers, the KR [Khmer Rouge] base of Kaoh Sla town was taken on December 17.

Gen. Bunsoeun said Kaoh Sla, about 40 km north of Kampot town, had been the key supply and operational base for Kampot, Takeo and Kompong Speu provinces since the early 1980s.

It was an "economic zone" for the KR, producing thousands of tonnes of rice a year for comrades in other areas, according to Gen. Bunsoeun. The RCAF found about 1,000 tonnes of rice when they took the town.

Khmer Rouge General Pet—whose own Phnum Voar (Vine Mountain) stronghold 28 km away was captured in October—had fled Kaoh Sla with the Kaoh Sla KR commander, a General Bet, and an unknown number of guerrillas.



Gen. Bunsoeun said the two rebel generals were thought to have gone to a KR base and arsenal at Phnum Kravanh, about 150 km northwest from Kampot town, in Pursat province.

He said he regretted that Pet—wanted for the murders of the three Phnum Voar hostages kidnapped in July—had escaped.

"(But) I am very happy that...he has had to flee Kampot soil."

Ninety-five KR guerrillas and 137 civilians who had been under their control defected during the Kaoh Sla fighting, he said.

Among those who helped to capture the town were Pet's former senior aide—controversial defector Colonel Chhuk Rin—and 100 of the general's former guerrillas who had defected during the fall of Phnum Voar.

The battle for Kaoh Sla began the day after Pet and a force of about 450 men were intercepted heading for Phnum Voar, in a bid to recapture the mountain, on December 3.

The POST reported in its last issue that the KR guerrillas beat off a RCAF counter-attack before being forced back to Kaoh Sla.

When Royal army forces from five provinces finally took the town on December 17, they found 192 houses used by the KR and their families, several trucks, 6 saw mills, a rice mill and 1,000 tonnes of rice. Thousands of hectares of neighboring rice paddies were occupied by government forces.

By December 21, when the POST visited, small bands of KR remained as close as 4-5 km to Kaoh Sla but Gen. Bunsoeun did not consider them a threat.

"(Colonel) Rin's men are communicating with them to persuade them to surrender to us...they are ready to defect," he said.

Rin himself had been sent to Bok Kou Mountain, 40 km west of Kampot town—where some 60 guerrillas left behind by Pet had escaped to—to encourage them to surrender what was thought to be a small rebel base there.

Gen. Bunsoeun believed Kaoh Sla was safe from any counter-attack by the KR, saying the rebels in the immediate area lacked food, guns and ammunition.

He said 86 assorted weapons had been seized from the KR during the battle, and another 95 were handed over by KR defectors.

Of the Siem Reap defections, Hem Bun-heng said the defecting mob were led by Colonel Phor. The division 912 was responsible for military operations in Angkor Chum, Puok, Varin, Kralanh and Srei Snam districts.

The division was commanded by Kong, the long-time body guard of Pol Pot's military adviser Ta Mok. Kong was not among those who defected.

The defection was coordinated by written messages, radio and word of mouth, Hem Bun-heng said. The previous mass defection of fighters in Phnum Kulen had swayed the latest fighters into surrender.

"They cannot bear the orders from Ta Mok any longer. Their burning of houses, destroying crop and killing was the final step for them," he said.

However, the defections were also providing a headache. "The question the government must answer is what will (the defectors) do? My proposal—and it is theirs too—is for them to have rice to eat and shelter," he said.

"I am very concerned because this is a key problem we must solve."

"Fighting brings no benefit... now, we are grabbing everything we can to give them because it takes time for the government to come up with an adequate response."

#### **Minister Exhorts Journalists on Professional Role**

BK0401094595 Phnom Penh PHNOM PENH POST in English 30 Dec 94-12 Jan 95 p 6

[Report by Ker Munthit]

[FBIS Transcribed Text] Journalists can become Cambodia's "fourth power"—after the National Assembly, the government and the judiciary—if they respect themselves by providing readers with correct information, Minister of Information Ieng Muli said.

"We want the professionals of journalism to become the fourth power," he told an journalists' ethics seminar in Phnom Penh on December 26.

"Unless they are recognized and respected, not only by the government but also by people and readers, the journalists will not be able to have this power."

Journalists could only become an effective opposition if they reported correct information and earned respect, he said.

Pin Samkhon, president of the Khmer Journalists Association (KJA), said journalists had to review their conduct and prepare themselves for Cambodia's move toward Association of South East Asian Nations (ASEAN) membership.

"For our country to enter ASEAN, there is a requirement for good-quality and professional journalism. It requires the journalists respect not only for citizens in our country, but also for those in neighboring nations," he told the Post.

Journalists should not insult neighboring countries such as Vietnam and Thailand, he said.



The KJA's annual congress held on December 24 expressed dissatisfaction with the government's draft press law and urged it to amend the law, but the association also promised to continue its efforts to get journalists to respect a journalistic code of ethics.

Meanwhile, a Khmer newspaper has received a two-week suspension for publishing an allegedly defamatory article about the National Assembly, the Royal Government and the judiciary.

In a December 21 commentary, the Meakneakseka Khmer (Khmer Conscience) newspaper described some National Assembly members as being "foolish" in their salary demands, and said the government was "crazy" for power, corrupt and guilty of lying to the people. The judiciary system was labeled by the paper as a "thief" which robbed innocent people.

Secretary of State for Information Khieu Kanharit, who ordered the suspension, said the article defamed the Kingdom's supreme organs. If the paper continued its attitude after the suspension the government would ban it and take its publishers to court.

## Indonesia

### Daily Supports World Trade Organization

BK0301091595 Jakarta SUARA KARYA in Indonesian  
3 Jan 95 p 4

[Editorial: "The WTO Has Started Operations"; passages in italics published in English]

[FBIS Translated Text] The World Trade Organization [WTO] started operations on 1 January 1995. The replacement of the GATT by the WTO was marked by a change in the signboard at the GATT Headquarters in Geneva. The WTO will be temporarily led by Peter Sutherland, who was previously GATT director general, until 15 March 1995, when the WTO chief will be definitely elected.

One hundred and twenty-five GATT member countries agreed to form the WTO to replace the GATT during a meeting in Marrakech, Morocco in April 1994. With the WTO's birth, the world economic system will be supported by three UN-affiliated institutions—the IMF, the World Bank, and the WTO. By 31 December 1994, 90 countries had ratified an accord on the formation of the WTO, while others had not done so or were still completing administrative terms. Indonesia ratified the accord through Law No. 7/1994, dated 2 November 1994.

Two documents were issued during the final Uruguay Round in Marrakech. First, the *Final Act Embodying the Results of the Uruguay Round of the Multilateral Trade Negotiations*. Second, the accord on the formation of the WTO.

Some feel that Indonesia will be disadvantaged by the GATT/WTO accords. Moreover, world trade liberalization will again turn Indonesia into a market for industrial products from developed countries and a source of cheap raw materials, as during the past colonial period.

If we thoroughly study the GATT/WTO accords, we will find out that this assumption is incorrect. In fact, tariff and nontariff protection for Indonesia's industrial sector will be increased under the *Final Act* of the Uruguay Round signed in Marrakech. Indonesia reserves the right to increase import duties for 6,848 tariff posts by up to 40 percent and 505 tariff posts without limit, whereas Indonesia's average import duties are currently below 40 percent.

In addition, Indonesia will have an advantage. Indonesia's industrial products will have access to other countries, particularly developed countries. Within 10 years of the WTO's operations, the import duties of developed countries will be gradually decreased. For example, Japan's import duties will be an average of 3.6 percent, and the United States and the European Union will be 6 percent. About 75 percent of Indonesia's export products to Japan and about half of them to the United States and European Union will be exempted from import duties within the period. Simultaneously, the expansion of market access within the framework of world trade liberalization will continue to adhere to the principles of special and different treatment for developing countries.

In short, world trade liberalization to be achieved by the GATT/WTO accords will in no way disadvantage Indonesia as a developing country. In addition, it will bring benefit to the country in terms of market access for Indonesia's export products.

People seem to be unaware of such opportunities. On the contrary, we are preoccupied with a polemic over the meaning of the terms liberal, liberalization, and liberalism rather than being prepared to take advantage of the opportunities.

### EC Rules on Counterfeit Goods To Hit Exports

BK0401022195 Jakarta Radio Republik Indonesia  
Network in Indonesian 0000 GMT 4 Jan 95

[FBIS Translated Text] New rules on fake goods issued by the EU Council of Ministers on 22 December will threaten Indonesian textiles, which have become one of the country's nonoil and nongas exports.

In a press release yesterday, the Public Relations Service of the Trade Department said the rules will have a negative impact goods such as watches, perfume, kitchen utensils, spare parts, and toys in addition to textiles. The rules, which take effect on 1 July 1995, will replace the 1988 rules which are considered too lax and limited in scope. They contain procedures authorizing EU customs to take prompt action in smuggling cases without having to wait for legal decisions to be made. In addition, the rules stipulate that the definition "fake goods" covers



various illegal activities related to labeling trademarks, producing equipment, and making patterns for equipment.

### **Alatas Views Talks With Portugal, Baucau Riots**

*BK0401145795 Jakarta Radio Republik Indonesia Network in Indonesian 1200 GMT 4 Jan 95*

[FBIS Translated Text] The fifth round of the tripartite meeting by the Indonesian and Portuguese foreign ministers and the UN secretary general, aimed at promoting confidence-building measures between Indonesia and Portugal on the East Timor issue, will be held in Geneva on 9 January. During the upcoming meeting, UN Secretary General Butrus Butrus-Ghali is expected to discuss substantive issues aimed at finding a comprehensive and fair solution acceptable to the international community.

Foreign Minister Ali Alatas said this at his year-end press conference with domestic and foreign correspondents in Jakarta this afternoon. Alatas admitted he has no idea what the UN secretary general will propose in the tripartite meeting. Alatas said Indonesia will certainly resubmit what was already achieved at the fourth round meeting in Geneva in May 1994.

[Begin Alatas recording] We will submit several things which we have done in implementation of the earlier accord. In return, we will ask Portugal to tell us what they have done in implementing it. In this case, we certainly want to hear if there is any progress in our [word indistinct]. From our side, I believe we can show many things, including our sincerity in carrying out several things required by the UN secretary general. [end recording]

Commenting on riots in Baucau, East Timor last Monday, Alatas expressed his deep regret over the incident which claimed one life. He said the riots followed a pattern similar to the Dili incident some time ago.

### **East Timor Governor Urges 'Dialogue' for Peace**

*BK0401054995 Jakarta SUARA PEMBARUAN in Indonesian 3 Jan 95 p 6*

[FBIS Translated Text] Dili, 3 Jan—Throughout 1994, we had different thoughts and concepts about how to seek a comprehensive solution to the East Timor issue. This showed that different perceptions and visions exist about how to develop East Timor.

The different perceptions and visions caused divisions in society. We lived in an atmosphere of mutual distrust, and members of the younger generation sank in the divisions. Thus, we have to make 1995 a year of dialogue to enable us to settle the East Timor issue comprehensively.

East Timor Governor Abilio Jose Osorio Soares said this in a speech during a New Year's party with officials, religious leaders, and community leaders at his residence on Sunday evening. The function was preceded by a

common toast [preceding word in English] by members of the Provincial Consultative Board, their wives, and all invitees.

According to the governor, we must all try to work hand in hand in 1995 to achieve a dialogue to settle the East Timor issue. We have the obligation to end all differences and divisions to enable all East Timorese to undertake development in an atmosphere of peace and tranquillity.

All parties have realized that physical development has been strongly undertaken over the past 18 years, and the local people have thus enjoyed progress as part of the Indonesian nation. Progress and reforms have taken place everywhere. He added, however, that development seems to be unable to settle all problems in the region.

He concluded that past unexpected events have opened up our eyes to the fact that there are still things to be improved.

### **Further Reportage on Baucau Riots**

#### **AFP Cites 'Sources'**

*BK0301142595 Hong Kong AFP in English 1306 GMT 3 Jan 95*

[FBIS Transcribed Text] Jakarta, Jan 3 (AFP)—Between two to five people were reportedly killed and several injured in fresh violence in East Timor over the weekend, sources in the former Portuguese colony said Tuesday.

Hundreds of people, mostly youths, rioted in Baucau town, some 115 kilometres (71.3 miles) east of the capital Dili, after an East Timorese was stabbed to death by a South Sulawesi trader in a fight Sunday at the town's market, they said.

Sources in Dili said by telephone that four people were shot dead in the ensuing rioting while church sources said they have so far only had confirmation of two deaths, including the stabbed victim.

A press release issued by the Indonesian military headquarters here identified the dead victim as Armando Ximenes, 17, who was stabbed to death during a brawl between several people in Baucau. A man identified as Cole alias Rusli, 26, was also seriously injured, it added.

However a military spokesman in Dili, Lieutenant Situmorang, told AFP by telephone late Tuesday there two had been killed during the incident.

The first was stabbed, but the second man was "shot, but from another direction to that of the security forces", he said.

The military listed five civilians as being injured in the incident, with the situation in Baucau Tuesday now calm, he added.



Ximenes' death was believed to have angered the local population which then took "brutal actions" that included vandalism, arson and rock throwing, the statement said.

Part of Baucau's small market was burned and a public minibus was wrecked, according to the Dili sources.

Security troops shot four people dead after unsuccessfully trying to disperse the mob with warning shots fired in the air, they added.

The military statement said that 11 members of the security forces and six local inhabitants had been wounded by flying rocks during the unrest.

East Timor's Roman Catholic Bishop Carlos Felipe Ximenes Belo left for Baucau Tuesday, a Church source said.

The source added that a delegation of East Timorese, accompanied by a local Roman Catholic priest, Father Rui Gomez, met the chief of the East Timor military and the head of the Baucau regency for talks late Sunday.

The military statement said that local leaders and the security forces had succeeded in calming the population and restoring order by early Monday.

The Dili sources said that migrants from the southern province of the Indonesian island of Sulawesi residing in Baucau, fearing reprisals from the angry natives, had sought refuge at the military camp in the newer part of the town.

It was the second reported outbreak of violence since November in largely Roman Catholic East Timor, which predominantly Moslem Indonesia annexed in 1976 amid international condemnations.

The death of an East Timorese trader during a fight with a migrant food stall owner, also from South Sulawesi, at Dili's Becora market in November led to three days of unrest there that caused damage to buildings and vehicles.

East Timor church sources have said that violence had also broken out in Dili on New Year's Eve between local population angered by noisy army celebrations.

Several houses were damaged and two people were injured, one of them seriously, the source said.

### **No Plan To Reinforce Military**

*BK0401054695 Jakarta ANTARA in Indonesian 0242 GMT 4 Jan 95*

[FBIS Translated Text] Dili, 3 Jan (ANTARA)—Major General Adang Rukhiatna, commander of the Ninth Udayana Military Region, has stated the leadership of the Armed Forces of the Republic of Indonesia [ABRI] has no plans to increase the ABRI's strength in East Timor.

"Six territorial battalions and one combat battalion that the ABRI deploys in East Timor can adequately contribute to the success of development in Indonesia's youngest province," he told ANTARA during a visit to Baucau on Tuesday [3 January].

He said the Department of Defense and Security conducts an evaluation of the ABRI's presence in the region every six months. If the ABRI's presence is still needed, a tour of duty will be conducted to maintain its presence there.

On the other hand, the ABRI's presence will be gradually scaled down if the situation in the region permits the reduction of the number of ABRI personnel to a level commensurate to the prevailing situation.

"But, the ABRI's current presence cannot be scaled down because its services are badly needed to contribute to the success of development in the region," he said.

He added that six territorial battalions and one combat battalion are currently deployed in East Timor at the request of the provincial administration, and their presence has been supported by the Department of Defense and Security.

The regional military commander made the statement to correct foreign press reports claiming that the deployment of the seven battalions in East Timor is purely the policy of the Department of Defense and Security.

"Obviously, the ABRI's presence in East Timor is not purely the policy of the Department of Defense and Security. The provincial administration feels that its presence is badly needed to contribute to development in the region and the implementation of a presidential program for the development of backward villages," concluded the commander of the Ninth Udayana Military Region.

### **Political Motive Discounted**

*BK0401070295 Jakarta ANTARA in Indonesian 1801 GMT 3 Jan 95*

[FBIS Translated Excerpt] Baucau, 3 Jan (ANTARA)—Virgilio Marcel, chief of Baucau District in East Timor, has said there were no political elements in the riot in which 93 kiosks were completely destroyed by fire in Baucau on Monday. [passage omitted]

According to Virgilio, several security personnel, who were trying to overcome the riot, were injured by stone-throwing.

He admitted there were shootings during the riot, but this did not originate from Armed Forces of the Republic of Indonesia units. One person was killed and five others injured in the shootings.

The five injured persons are being treated in the hospital.



The district chief expressed sincere regret over the incident because it had brought about great losses, particularly in the economic field.

He said what the local government has done is solely aimed at promoting the people's welfare.

Basically, development programs that have been undertaken in the district do not belong to one particular group, but rather to all of us.

"The incident has automatically brought about losses to all of us," he said.

Thus, Virgilio advised the local people not to be provoked by irresponsible persons whose objective is to sow division.

People should not hastily resort to individual action to settle any problem, rather they should refer the matter to the authorities for legal settlement.

"Ours is a country based on law," he said. He added that he is proud of the security personnel for their self-restraint during the incident for the sake of national unity and integrity.

Replying to questions, Virgilio said the district is now safe following coordination between the district administration and local village headmen.

## Philippines

### Development of Abu Sayyaf Group Outlined

#### Ties to MNLF Possible

BK0401103395 Manila PHILIPPINE DAILY  
INQUIRER in English 24 Dec 95 p 4

[Article by Jose Torres Jr. of Philippines News and Features—first of two parts]

[FBIS Transcribed Text] Virtually unknown two years ago, the Muslim fundamentalist group Abu Sayyaf hit the headlines in 1994 after abducting a young boy, a foreign missionary and a number of businessmen in Mindanao. Last June, it horrified the Filipino people when it killed 15 Basilan residents and took hostage 21 others, including a Catholic priest.

At least 15 soldiers were killed in the ensuing military operation to capture the kidnappers.

Despite the military operation, the Abu Sayyaf continues to sow fear in Mindanao. Kidnappings in Basilan province, allegedly home to the Abu Sayyaf, are still blamed on the group, which also claimed responsibility for a recent explosion inside a Philippine Airlines plane bound for Japan.

Late last year Islamic experts tagged the Abu Sayyaf as the "movement to be watched closely more than the Moro National Liberation Front (MNLF)." This year the

Abu Sayyaf loomed even larger as it proved its capability of tying up government troops.

Despite the death of one of its leaders and the surrender of another, the group has remained intact and may even be expanding. Underground Muslim sources said the Abu Sayyaf is conducting massive recruitment in Muslim communities all over the country. Islamic fundamentalists allegedly supportive of the Abu Sayyaf have been reported preaching openly in several mosques in Mindanao.

The Abu Sayyaf has reportedly extended its influence to some young MNLF members and the moderate Tablig, an association of about 100,000 Muslim fundamentalists.

Ustaz Sharif Zain Jali, MNLF spokesperson, said that some of the Abu Sayyaf's "mujahedins" (freedom fighters) are also young MNLF members. Jali said these individuals were being rooted out of MNLF ranks.

#### Myth and mystery

The Abu Sayyaf was established in Basilan in the late '80s by Abdurajik Abubakar Janjalani, a teacher of Islam in the local madaris (Arabi school). He is said to have studied in Libya and is described as a "charismatic leader and preacher" who continually calls for a jihad (holy war).

Janjalani's whereabouts has puzzled the government since the Abu Sayyaf leader escaped the military assault in Patikul, Sulu, last May.

Recently, however, Janjalani was reported seen in Basilan consolidating his forces.

Myth and mystery surround the organization that Janjalani founded. The Abu Sayyaf claims that it wants to establish an Islamic state in Mindanao. But Mohagher Iqbal, spokesperson of the Moro Islamic Liberation Front (MILF), believes the Abu Sayyaf has "strong links with the military."

"Based on our assessment," Iqbal said, "we are tempted to say that the group is like the group of (Abogado Gado) Mubarak and of Jimmy Ambolodto."

Mubarak and Ambolodto were known leaders of kidnap-for-ransom gangs in Mindanao. Iqbal contends that these gangs, along with the Abu Sayyaf, were "supplied by the military with high-powered rifles."

Captured Abu Sayyaf members admitted acquiring guns from the military. Subsequent investigation by the Philippine National Police confirmed this admission, but no action has so far been taken to find the arms suppliers or dealers.

#### Coeistence with MNLF?

The Abu Sayyaf's kidnap-for-ransom operations in Basilan were allegedly conducted with the help of the MNLF command in the island province. The MNLF



denied the allegation, but admitted that most of the Abu Sayyaf members were former MNLF guerrillas.

Former MNLF commander Manee Narimin told Philippine News and Features it is possible that the MNLF and the Abu Sayyaf are working together. He said there is a standing policy in the MNLF that "as long as it is not yet the legitimate government in Mindanao, it will coexist with and support any group that opposes the government."

Narimin said there is a serious leadership crisis within the MNLF in Basilan. He said MNLF guerrillas in the province are hesitant to support MNLF leader Talib Congo, who is not a native of Basilan.

Sources within the MNLF in Basilan also denounced Congo's "policy of tolerating" kidnappings, cattle rustling and other illegal activities as inconsistent with the objectives of the MNLF struggle.

Narimin claimed the Abu Sayyaf has the support of MNLF leaders in the area. When the Abu Sayyaf is caught "redhanded," these MNLF commanders will claim that the Abu Sayyaf members belong to the MNLF Lost Command.

Narimin noted that Barahama Sali, the Abu Sayyaf leader responsible for the kidnapping and killing of the 15 civilians last June, was under Narimin's command when he was with the MNLF. Sali was killed by the military during the two-month pursuit operation in June.

Other MNLF commanders who have ties with the Abu Sayyaf are Jul Jilang, Muntung Sali, Dorie Kalajal, Nomad Maliala and Edres Edres, according to Narimin.

### **Government 'Neglect' Cited**

*BK0401103895 Manila PHILIPPINE DAILY INQUIRER in English 25 Dec 94 p 16*

[Article by Jose Torres Jr. of Philippines News and Features—second of two parts]

[FBIS Transcribed Text] The reported rise this year of Islamic fundamentalism in Mindanao has struck fear in the hearts of Christians and Muslims alike.

Besides the Abu Sayyaf, groups espousing Islamic Fundamentalism include the Tablig, the Guraba and a group calling itself "Islamic Jihad."

Catholic priest Eliseo Mercado Jr. one of the few non-Muslim Islam scholars in the country, said religious fundamentalism is "definitely on the upsurge in Mindanao."

Mercado blamed "the failure of government to address the basic needs of the Moro people" as the main reason for the rise of religious movements among Muslims. He said even Moro rebel groups were unable to appease the people's clamor to be heard.

Mercado said that while fundamentalists basically demand a religious system, Moro liberation groups "only trudge in the political arena." He said that for a Muslim, religion and politics are inseparable.

The trail of terrorism left by the Abu Sayyaf has led government to look for the roots of the problem. President Fidel Ramos himself admitted that poverty and inequality were among the reasons for Basilan's turmoil.

In a bid to bring peace to the island, the president promised to push for development that would lead to livelihood, job generation, supplemental income, equal opportunity, education, environmental protection and health services.

### **Microcosm**

Neglected by the national government for decades, Basilan has become a microcosm of the whole southern Philippines—an arena of conflict based on age-old land disputes and aggravated by clan politics and cultural misunderstanding.

Rep. Elnorita Tugung, Basilan's lone representative in Congress, predicted that violence will explode again in the south.

In a privilege speech before the House of Representatives shortly after the kidnapping of Catholic priest Cirilo Nacorda in July, Tugung decried "decades of government neglect and inept, if not half-hearted, law enforcement" which turned kidnapping for ransom and other illegal activities into "thriving cottage industries" in the south.

She also raised suspicions of "an unholy alliance" between the Abu Sayyaf and the military to justify continued military presence in Basilan and an increase in the military budget.

Basilan Gov. Abdulganni "Gerry" Salappudin agreed that government neglect has led to the rise of terrorism in Basilan.

At the same time, he recognized the validity of some issues raised by the Abu Sayyaf, such as "political recognition and genuine autonomy."

Other Basilan political leaders attribute the problems in the island province to lack of funds and failure of government. Provincial board member Nato Asmawil said the root cause of Basilan's woes is "inefficiency and the failure of government, both national and local, to take care of its people."

Col. Edgardo Espinosa, who led the 3d Marine Brigade in Basilan during the military campaign against the Abu Sayyaf, said "political will, not military might or funds, will solve Basilan's problems." Espinosa stressed the need to strengthen "the political, economic and socio-cultural dimensions" of the province.



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Basilan's retired bishop, Jose Maria Querexeta, said the social conditions of the province "have reached its lowest ebb."

He said there is a general "feeling of confusion, bewilderment, frustration and almost despair, both among the Muslims and Christians."

Only last month concerned citizens and church people gathered in Isabela, the capital of Basilan, to denounce government neglect and the continuous "terrorism" of the Abu Sayyaf.

Missionary priest Angel Calvo, who worked with the native Yakans of the province for 20 years, told Philippine News and Features that government infrastructure will not solve Basilan's problems.

Calvo said the deeper problem of cultural differences between Muslims and Christians demands a different approach to peace-building. He proposed the setting up of a task force that would bring together "honest and committed" Muslims and Christians in the search for peace.

#### **Crisis of leadership**

Basilan's current Catholic bishop, Romulo de la Cruz, meanwhile pointed out that a "crisis of political leadership" in the province also hinders Basilan's push towards peace. "We do not see much unity as far as our local officials are concerned," the Bishop said.

Basilan has been dominated by competing factions drawn across party and clan lines. Governor Salapuddin, a Yakan, belongs to the oppositionist Laban ng Demokratikong Pilipino (LDP). Congresswoman Tugung, widow of slain Marcos-created Autonomous Region Executive Council Chairman Bob Tugung, is with the ruling Lakas-NUCD [National Union of Christian Democrats].

According to the clandestine Moro Revolutionary Organization (MRO), the land issue is a basic problem in Basilan as well as in the whole of Mindanao.

Hadji Muhammad Abdulwahid, MRO spokesperson in Manila, pointed out that Muslims constitute 71 percent of Basilan's population, but Christians own 75 percent of the land. Compounding the land problem, the Chinese control 75 percent of business.

The MRO said the Abu Sayyaf has helped awaken the consciousness of many people, including those in government, to the problems in Mindanao. "The Abu Sayyaf has definitely marked [a] different moment of history in Mindanao," Abdulwahid said.

#### **Military Confirms Arms Smuggled Into South**

BK0401022595 Quezon City PTV-4 Television Network in Tagalog 1000 GMT 3 Jan 95

[FBIS Translated Text] AFP [Armed Forces of the Philippines] Chief Lieutenant General Arturo Enrile and

Southcom [Southern Command] Chief Orlando Soriano have confirmed the reported landing of high-caliber firearms in Lanao del Sur last November. However, Enrile has stressed that the military and police are in control of the situation in southern Philippines. Soriano said the Coast Guard should not be blamed for its failure to monitor arms smuggling because of the country's long coast line.

[Begin Soriano recording in English] I did not say that they are no longer capable of staging any armed, large-scale ... [changes thought] but the thing is, the Armed Forces is ready and is strong enough to beat them or to defeat them in case of an all-out war, which I hope will not happen anyway. [end recording]

### **Thailand**

#### **WTO Warned To Guard Against Protectionism**

BK0401085095 Bangkok THAILAND TIMES in English 4 Jan 95 p A4

[Editorial: "WTO—Watch Out for Undercover Protectionist"]

[FBIS Transcribed Text] The sequence of events from Bretton Wood to the GATT Uruguay Round - culminating at Marrakesh, Morocco - and the advent of the World Trade Organization (WTO), has been full of suspense, intrigue, and a tedious path to global trade liberalization. Nevertheless, it has been a successful one in the eyes of the world.

Although, the WTO took over the operations and implementation of the General Agreement on Tariff and Trade between 108 nations effective from the 1st of January this year. In Thailand, of course, it will become effective after the New Year holidays when Thai businesses and shopkeepers are open for business as usual.

What is more significant, this year, is not only the opening of stores for business in the kingdom, but also that nations all over the world will open their ports for imports of goods from foreign lands including Thailand, and allow exports from other countries to vie with locally-produced merchandise in open-market competition.

With an increasing middle class population in the Asia-Pacific region, created by dynamic economic growth in developing countries, especially, within the Association of South East Asian Nations (ASEAN), there is a greater opportunity for developed nations to market their services and products in this region, than the developing and underdeveloped states want.

It is interesting to note the pattern in which the United States worked its way up the trade liberalization ladder. As a confirmed champion of trade protectionist policies, it is well known how it used its own legislation - the notorious section 303 [as published] - to get its own way in bilateral talks between countries.



It is not uncommon knowledge how the US used human rights and environmental protection issues in arguments with developing countries, in trade talks, especially with developing Asian countries including Thailand.

Then the American Congress finally ratified the North American Free Trade Agreement (NAFTA) which had been worked on through four presidencies. When the United States walked into the final Uruguay Round, the world's largest economy, it had added to its fold the Canadian and Mexican markets, and promises of Chile to follow as a member of group.

The final outcome of the GATT talks, was a foregone conclusion, when the US, the European Union, and Japan made their last ditch stands on the future of world trade and their respective objectives in global trade liberalization were laid on the table behind closed doors.

However, 108 nations including Thailand have inked the GATT proceedings and are committed to honor its agreement. And the kingdom for instance, will open its market to farm and other agricultural products, including rice, soya beans, coconut products and several other types of produce and merchandise at reduced tariff rates in accordance with the GATT and WTO agreements. Of course, Thailand will also have access to other world markets producing similar products.

Global trade liberalization and open market competition is welcome because it will undoubtedly reduce prices for consumers. But ironically, it must be acknowledged that the sectors most affected by international price competition will be poor farmers.

With protectionist policies and agricultural subsidies gone, in keeping with the norms of the GATT agreement, it is the farmers—in developing and underdeveloped countries—who will be sandwiched between consumer prices and the capital market. This foreseeable situation begs a question: will the United States, the European Union, Japan and other developed industrialized countries cease to protect their farmers directly or indirectly through tax reforms and subsidies?

It will be interesting to wait and see how the operational side of the World Trade Organization works not in the East - but in the developed West.

#### **Si Sa Ket Governor Bans Trade With Khmer Rouge**

BK0401090595 Bangkok *THE NATION* in English  
4 Jan 95 p A2

[FBIS Transcribed Text] Si Sa Ket—The provincial administration has issued an unprecedented official order asking government officials and businessmen to halt trade deals with Khmer Rouge [KR] immediately or face legal action.

In the order dated Dec 27, Si Sa Ket Governor Chiroi Chotphan said trade with the outlawed Khmer Rouge was illegal, against government policy, and would negatively affect Thailand's international image.

The order, made public for the first time, said there were some groups of private firms and government officials who were still trading with Khmer Rouge in border areas.

"The Si Sa Ket provincial administration hereby announces that the administration does not support contact or trade deals with the Khmer Rouge," the order said.

"The administration asks groups of people, including those in the private sector and government officials, who have contacted or traded with the Khmer Rouge to stop the practice immediately. Anyone violating the order will face drastic action."

Channel 7 yesterday said "scores" of Thai traders had business deals with the Khmer Rouge's 1st Battalion under the command of Colonel Ta Mok, based opposite Si Sa Ket's Phu Sing sub-district.

The channel said Thai merchants supplied the Khmer Rouge with machinery, tractors and food through the Sa-ngam Pass.

The Khmer Rouge used radio transceivers set at a special frequency to contact their Thai trade partners, it said.

"The trade had been carried on actively for a long time and involved some former government officials. Some other government officials even crossed the border to teach Khmer Rouge children," said the government-run station.

As soon as the order was issued, trade with the Khmer Rouge halted abruptly but temporarily, bringing starvation to the guerrillas, Channel 7 said.

#### **Karen Religious Conflict in Burma Deplored**

BK0201090595 Bangkok *THE SUNDAY POST* in English  
1 Jan 95 p 18

[Editorial: "Karens must get their act together or kiss democracy goodbye"]

[FBIS Transcribed Text] Indulging in anything to the extreme is bad. Extreme nationalism kills. But religious fanaticism stinks—more so in this era when man has journeyed to the Moon and back. The Crusades saw man kill man and the Spanish Inquisition saw many burned at the stake.

Now we have the likes of the IRA and extreme Protestants blighting relations between Britain and Ireland, Saddam Husayn and the Ayatollahs in the Middle East, Hindus and Muslims going at one another's throats in the Indian subcontinent and Serbs, Croats and others liquidating one another in Bosnia. The list goes on. Man killing man—all in the name of religion.

But when politicians, governments and zealots capitalise on the sentiments of religious groups as a tool to enhance their power and solidify their position over the masses, they are clearly proving truth in the line that "religion is the opiate of the masses".



The latest skirmish between rival Christian and Buddhist factions within the Karen National Union (KNU) guerrilla group, which is battling the military regime in Rangoon for autonomy and a federal form of government, is a case in point.

Fighting erupted early this month when a group of about 300 Karen Buddhist guerrillas mutinied against the Christian-dominated leaders of the KNU. The KNU's leader, Gen Saw Bo Mya, confirmed Thai military sources reports that three people were killed in the fighting.

The KNU claims the mutiny was the work of Slorc [State Law and Order Restoration Council] infiltrators trying to sow discord among Karen rank and file. The Slorc has neither confirmed nor denied this allegation. However, we do know the dispute was caused by religious conflict among the Karen.

A Karen source said: "The mutiny was the result of religious conflict but personal and ideological issues are involved too."

On December 15, both sides hammered out a five-point agreement whereby the KNU leadership pledged freedom of worship and a blanket amnesty for the mutineers. The two sides also agreed to fair arbitration of any crisis concerning religious conflict that may arise in future.

Despite the agreement, fighting flared anew on Wednesday between the two religious factions. Reports say about 150 Buddhist Karen have dug in at the River Junction Pagoda at the confluence of the Salween and Moei rivers and have fired shots at boats, both Thai and Karen.

The root cause of the Karen problem, according to knowledgeable sources, is religious favouritism that is being practised by the Christian-dominated leadership of the KNU.

Promotions among the rank and file of the Karen National Liberation Army are the bone of contention, the sources say. It is alleged that Christians are favoured over their Buddhist counterparts in moving up the ranks. The Buddhists, on the other hand, stagnate at a certain rank. Christians are also treated more leniently than Buddhists when disciplined.

This form of favouritism has long been the standing practice of the central government in Rangoon, whereby preference is given to Buddhists and Burmans over people of other faith and race when it comes to winning jobs and promotion in state offices and the armed forces.

One example is Brigadier-General David Abel, National Planning and Economic Development minister, who had served as a colonel for years before being promoted to the present rank. Abel is a Roman Catholic and an Anglo-Burman.

If these allegations about the Karen are true, then an immediate stop must be put to this form of chauvinism. Slorc has already taken advantage of the KNU squabble by launching attacks on its bases. The student army camp at Daunggyin has fallen to the Burmese army. Also one Karen hilltop base, Manyaw-kee, opposite Sleeping Dog Hill, was reportedly captured by Rangoon troops.

General Bo Mya and the top echelon in the KNU, Christians as well as Buddhists, must bear in mind that they are not only responsible for the survival of the Karen people and protecting its culture, but also in helping the other remaining dissidents to hold out against the brutal Slorc regime to restore freedom and democracy to Burma.

The KNU is the oldest and most powerful guerrilla force, apart from the Mon and a handful of allied Burmese students of the ABSDF [All Burma Students Democratic Front] still fighting the illegitimate Rangoon government. Most other ethnic rebel groups have negotiated separate ceasefire agreements with the central government.

Unless the Karen get their act together now to regain trust and unity among themselves, they can kiss goodbye to their 46-year-long struggle for autonomy and of ever restoring peace, freedom and democracy to Burma. Also they must bear in mind that all religions are supposed to advocate peace and love for one another. Not hate.

### Editorial Questions Li Peng's Burma Trip

BK0201072495 Bangkok BANGKOK POST in English  
2 Jan 95 p 4

[Editorial: "Burma Visit Leaves Open Doubt on China Motives"]

[FBIS Transcribed Text] The visit to Burma by Chinese Premier Li Peng has left important but unanswered questions for the region. He and his hosts did their best to gloss over concern on vital issues. But they failed to put to rest several significant subjects. As expected, the tough Mr Li dismissed suggestions Beijing get involved in the issue of human rights abuses by the State Law and Order Restoration Council (SLORC). Despite a noticeable bristling, however, he failed to lessen concern China may be seeking entry to the Indian Ocean through Burma. And a bland official communique that the two sides discussed "border and economic issues" left more questions than it answered.

Mr Li was only the fourth head of government to visit Burma since the violent takeover by SLORC in 1988. No stranger to controversy himself, Mr Li is credited as one of the chief architects of China's own crackdown on dissidents at Tiananmen Square in 1989. Since those two incidents, China and Burma have become close. China is the major supplier of a Burmese military build-up estimated at between US \$400 million and \$1 billion. The



Burmese military has almost completely switched its equipment, from tanks and helicopters to rifles, to Chinese standards.

This newly revamped and well-armed military is one of the roots of questions neither Mr Li nor SLORC leaders answered last week. Clearly, the Rangoon junta now is well-equipped for new offensives against dissident groups, mostly in its border areas. Even apart from the fears of the human toll of any such operations, Thailand and other neighbours could face grave security threats from any such military offensives. Burma clearly has not been forced into a large military build-up because of threats from its neighbours. Mr Li's trip was at least partly in return for a visit to Beijing last September by Burmese strongman Khin Nyunt, SLORC's "secretary one." But there may be more to it.

It is vague, for example, how Burma has paid for these weapons from a near-bankrupt treasury. Questions have naturally been asked about just what payment Beijing has received—or will receive. Indian officials have been blunt in their speculation. They fear the Chinese may request or demand a naval base or other access to the Indian Ocean through Burma's west-coast border on the Andaman Sea. Mr Li's answer in his Rangoon news conference edged on the rhetorical. He dismissed such reports as "sheer fabrication." While it is true Mr Li cannot prove what China will do in the future, he could have done better than repeat the type of denial that comes often from government propaganda agents. As head of government, he should have explained China's plans.

The issue of border problems was also unexplained by both Mr Li and his hosts. One of the most important, to the two countries and many others, is the extensive heroin manufacture and smuggling. Although China clearly is committed to a campaign against trafficking, Burma's policy is less obvious. Some analysts, including the prestigious JANE'S DEFENCE WEEKLY, have predicted an offensive by Rangoon against drug kingpin Khun Sa early this year. Like Thailand, China could be quickly drawn into the effects of such a move.

The visit to Rangoon by China's prime minister was, inevitably, a boost to the regime. It was therefore disheartening to see that Mr Li's only strong statement was on the issue of human rights. Beijing, he said, intended to stay out of the subject. "It's merely (an) internal affair of Burma. Unlike other Western countries, China doesn't interfere in the domestic affairs of others. We did not discuss her," he said. There is little surprise over such a stand. It remains depressing, however. China is both a close neighbour and an expressed friend of the Burmese regime. Taking a stand against SLORC's clear abuses of its people would be the right thing to do.

Just what Mr Li and his high-level party achieved during their three-day "official goodwill visit" remains to be seen. According to the Chinese leader, he had fruitful talks with SLORC officials and "further consolidated

our friendship." It may take some time to dig below this diplomatic language to know what actually occurred.

Clearly China intends to push its relations with Rangoon forward, actively and with some priority. Whether this decision has ulterior motives remains to be seen.

#### **Thanong Extradition Decision Rests With Cabinet**

BK0401091795 Bangkok THE NATION in English 4 Jan 95 p A2

[FBIS Transcribed Text] The Office of the Attorney General has recommended that the Chuan Administration decide whether to extradite former Nakhon Phanom MP Thanong Siriprichaphong under the Thai-US extradition treaty, sources said.

Attorney General Khanit na Nakhon informed the Cabinet that under the treaty the Cabinet is the "authorized official" which can decide whether to hand Thanong over to the United States to stand trial.

"The treaty stipulates that the decision whether to extradite individual criminal suspects to stand trial in another country shall be made by authorized officials," according to one source. "The attorney general has decided that 'authorized officials' means the Cabinet."

The attorney general made his recommendation to the Cabinet on Dec 30.

The Cabinet had earlier asked the Office of the Attorney General to determine whether Thanong should be extradited to the US for trial on charges of drug trafficking in that country.

The sources said if the government decided to send Thanong to the US, the Cabinet would ask the Office of the Attorney General to submit a request to the Thai court of justice first.

Prime Minister Chuan Likphai said yesterday he had not yet received the Office of Attorney General's recommendation on Thanong's case.

The US Justice Department has long sought Thanong's extradition, as evidenced by a 1991 secret indictment revealed last year, alleging that the former Chat Thai member is suspected of smuggling 45 tonnes of marijuana into the country.

The three-count indictment charging the lawmaker with smuggling, conspiracy and operating a criminal enterprise, alleges that between 1973 and Oct 1987 Thanong "did knowingly and intentionally engage in a continuing criminal enterprise".

According to US court papers, Thanong was paid more than US\$13 million (or Bt325 million) for his complicity in smuggling the drug into the country.

If Thanong were tried and convicted in the US, he could be sentenced to life imprisonment and a US\$4 million (Bt100 million) fine for each of the charges filed against him.



### **Suphachai Predicts Larger Role in Global Trade**

BK0201070495 Bangkok *THE NATION* in English  
2 Jan 95 p A1

[FBIS Transcribed Text] Deputy Prime Minister Suphachai Phanitchaphak has forecast a more dominant role for Thailand in international economic forums due to the country's active membership in several economic trade blocs.

Suphachai said Thailand this year will have a say in global trade.

This is because of its high economic growth rate and active role in several international trade blocs, such as the World Trade Organization (WTO), Asia Pacific Economic Cooperation (Apec), Asean Free Trade Area (Afta), the Economic Triangle grouping Thailand Malaysia and Indonesia, and the Economic Quadrangle grouping Thailand, Burma, Laos, and China.

The country's bright future for export products on the world market may boost Thailand's economic growth rate to nine per cent this year, according to Suphachai.

The deputy prime minister said the country's exports expanded nearly 20 per cent last year.

This year's expansion rate for exports could be even higher due to the government's resolution of several international trade disputes and its opening of the domestic market to foreign manufacturers for industrial and agricultural products.

The deputy prime minister said this year's foreign investments in Thailand's industrial technology will be higher than last year.

This is particularly because the country has gained a reputation for exporting electronic products such as electronic parts and machines.

However, despite the country's economic prosperity, Suphachai is concerned that inflation may also be higher due to rising costs of goods.

A crucial problem which needs an urgent solution in 1995 is the shortage of provincial infrastructure, he said.

Social and environmental problems are also urgent national plights due to the economic expansion which will certainly affect society as a whole, he added.

To solve difficulties in these areas, the government plans to extend compulsory education from Prathom 6 (Grade 6) to Matthayom 3 (Grade 9), and to promote skills training among unskilled labourers, according to Suphachai.

Suphachai said that the government has held auctions for the construction of four-lane highways upcountry.

The government also plans to restore sea-going ports, establish more electricity generating plants, and begin construction of the Nong Ngu Hao International Airport.

### **Article Views Economic Outlook for 1995**

BK3112102394 Bangkok *BANGKOK POST* in English  
31 Dec 94 p 17

[Article by Chatrudi Thepharat]

[FBIS Transcribed Text] A relaxation in Thailand's policies will bring an increase in foreign and domestic investment in 1995, according to the Board of Investment [BoI].

Lower customs tariffs and an improvement in the board's investment policy will also support the increase, it says.

Industries supporting the vehicle sector will be popular with investors, according to board secretary-general Sathaphon Kawitanon.

Tariff cuts, along with the six new categories of taxes introduced to simplify the tax process, have increased the confidence of domestic and foreign investors, says board assistant secretary-general Chakramon Phasukwanit.

Instead of 39 different tax rates, there are now only six making industrial development planning much easier.

Domestic investors benefit directly from the tariff cuts instead of having to rely on BoI privileges, Mr Chakramon says.

The BoI is confident the number of applications for privileges will increase by 20 percent because foreign investors, who earlier planned to expand in other countries have decided to locate in Thailand, he says.

Minebea and Siam Cement Co's venture to manufacture colour television tubes has applied for privileges to help its expansion.

Measures announced by the board last year include the granting of promotional privileges to 10 new supporting industries such as tooling, moulds and dies and metal-working. The locations were not restricted to certain zones in these cases, benefitting sectors such as vehicles and electronics.

The BoI has granted privileges for 159 investment activities classified under seven sectors throughout the country's industrial promotion zones. These measures have increased the competitive edge of Thai companies at a time supporting industries from Japan are being located abroad because of the strengthening yen.

The BoI estimates at least 300 Japanese factories will move to Thailand in the next two to three years. Just over 30 factories related to Japanese supporting industries have applied for BoI privileges.

The Government's policy through liberalisation, is to attract foreign investors to use Thailand as a base for exports. Three Japanese car assembly companies—



Mitsubishi, Honda and Toyota—have applied for BoI privileges for expansion programmes to meet export demand.

But the big change relates to the slashing of taxes, which is expected to stimulate industrial development. The Cabinet has approved tariff cuts for 11 product categories from January 1.

The cuts will benefit some industries by lowering production costs, according to Chokchai Aksaranan, chairman of the Federation of Thai Industries (FTI).

FTI vice-chairman Praphat Phodhiworakhun says tariff cuts for the petrochemical industry will help supporting industries including textiles, vehicles, electronics, electrical equipment and plastics.

Sawit Photiwihok of the Prime Minister's office, who oversees the BoI, says the board's strategy in 1995 will be to focus on the following areas: liberalisation of industry, new measures to boost Thai industry's competitiveness in the world market after the implementation of the ASEAN Free Trade Area (AFTA) and changes in the General Agreement on Tariffs and Trade (GATT), further promotion of investment in zone three and the establishment of a special economic zone.

Measures applicable in the special economic zone will be concluded next year and will include a reduction of facility fees and finance measures, Mr Sawit says.

The BoI says the export market will expand in 1995. Manufacturing prospects for domestic and overseas markets remain promising. Major export items such as garments, gems and jewelry and agricultural products, will also enjoy growth.

Investor confidence, high financial liquidity, and the Government's policy of promoting investment in rural areas will lead to increased private sector investment, according to the board.

The number of applications for privileges is forecast to cover 1600 projects in 1995, against 1500 in 1994. Total investment capital of 460 billion baht is forecast to be involved in 1995, invested mainly in medium-size and small-scale agricultural industry ventures, in plastics housing, metals and machinery.

In the first 10 months of 1994, 550 projects with an investment of 265.5 billion baht were lodged for BoI privileges, compared with 420 projects worth 96 billion baht in 1993.

Japan in the first 10 months of 1994 accounted for 192 projects seeking privileges, mainly in the car parts, electronics, electrical appliances and metal industries. Taiwanese investors were second with 105 projects, mainly in parts, electrical appliances, textiles and light industries.

Of the application submitted in the first 10 months of this year, 820 requiring investment of 318.2 billion baht

were for zone three, accounting for 65 percent of all projects. This zone is of rural and remote provinces.

### **Chuan Views 1995 Agenda, Political Reform**

*BK3112092094 Bangkok THE NATION in English  
31 Dec 94 p A 1*

[FBIS Transcribed Text] Prime Minister Chuan Likphai underlined his rural agenda for the nation yesterday, pledging drastic and speedy political reform, concentration on decentralization and anti-vote buying measures, and a major boost in funding for education during 1995.

Speaking at a "Meet the Press" forum marking the year's end, Chuan told reporters at Government House that all legal amendments to implement the government's policy of decentralization should be in place next year.

"I have instructed the interior minister to see to it that legal amendments regarding decentralization should be completed within the next year," Chuan said.

"I can't guarantee if we will be able to have elections for the provincial administrative organizations [to which some power of the provincial governors will be reallocated] in major provinces next year, but I'm optimistic we will at least succeed in decentralizing financial power in 1995."

Chuan admitted that political reform would never succeed as long as the problem of vote-buying still existed in rural areas.

The prime minister said he had asked the Interior Ministry to "explore all measures which can really end vote-buying in the next elections".

Asked how many years it would take for political reform to bear fruit if the conservative Interior Ministry was in charge of that, Chuan replied: "This one coming year."

On education, Chuan promised a "huge" budget to overhaul the system.

"Next year there will be a clear-cut change in education. I have consulted the finance and education ministers on a plan to allocate a huge budget to improve education," he said.

Chuan yesterday also lashed out at "US-graduated" academics who he said based their judgment of Thai politics on the different, presidential, system of the United States.

"Our parliamentary system has a higher degree of uncertainty. In our system politicians need to have greater discipline. We have heard some knowledgeable people who are confused about the two systems comment that party discipline is not necessary, that politicians should be more independent of their parties.

"This recommendation applies to the presidential system where the chief executive can survive even with only minority support," Chuan said.



The prime minister added that he wanted the public to learn that conflicts of opinion among politicians are normal, and that some sensationalized problems or conflicts had blurred the achievements of the administration.

"We can't avoid bickering, even 10 years from now, as long as we have a parliamentary system," he said.

Chuan said he did not need to improve his working style.

"Do you want me to become a dictator?" the prime minister quipped.

"I don't know what I should try to improve. The democratic process must go on the way it has been, and it may not please all."

The prime minister said it was inevitable that his decision to invite the Chat Phatthana Party into the coalition would attract criticism.

But he insisted indirectly that he had done the right thing.

"The decision to invite Chat Phatthana met with both agreement and disagreement. It's normal that when we make a decision it will be both liked and disliked," Chuan said.

Earlier, PM's Deputy Secretary-General Aphisit Wetch-achiwa said Chuan has lost the chance to become an "international-level great leader" when he decided to admit Chat Phatthana to the government.

When reminded that Chat Phatthana has image problems, the prime minister replied that the mass media also needs ethics.

"The people will decide later whether I made a wrong decision or not in bringing in the Chat Phatthana.

"We (politicians) came from the people and we will not do what is not right," Chuan said.

## Indonesia

### Vo Van Kiet Receives German Ministers of State

BK0301150595 Hanoi VNA in English 1409 GMT  
3 Jan 95

[FBIS Transcribed Text] Hanoi VNA Jan 3—Prime Minister [P.M.] Vo Van Kiet received at the Government's Office here this afternoon Doctors Bernd Schmidbauer and Werner Hoyer, ministers of state of Germany, who arrived earlier the day for a working visit.

P.M. Vo Van Kiet welcomed the two German ministers' visit as a demonstration of the fine friendship and cooperation between the two countries. He said that Vietnam and Germany have potential and favourable conditions for the further development of their cooperation, economic and commercial exchanges for the interests of each people. He took this occasion to express gratitude to the German Government and people for

their support to Vietnam in normalizing her relations with the EU [European Union] and other international organizations. He asked the two ministers to convey his best regards to Chancellor Helmut Kohl.

The German officials, for their part, spoke highly of the friendship and cooperation between Vietnam and Germany and expressed their hope that these bilateral (ties) would be further developed.

Minister Le Xuan Trinh, head of the Government's Office, Deputy Foreign Minister Nguyen Dy Nien and German Ambassador to Vietnam Klaus-Christian Kraemer witnessed the event.

### PRC Ambassador Interviewed on Bilateral Ties

952E0039A Hanoi LAO DONG in Vietnamese 24 Nov  
p 4

[Article by Thanh Binh and Manh Cuong: "Vietnam and China Have Many Prospects for Development"]

[Text] Between 19 and 22 November President Jiang Zemin will make an official friendship visit to Vietnam, on the invitation of General Secretary Do Muoi and President Le Duc Anh. Commenting on the importance of that trip, during an interview with LAO DONG reporters Ambassador Jang Ming said:

"Chairman Jiang Zemin is visiting Vietnam with the status of General Secretary of the Communist Party of China and President of the People's Republic of China. This is the first visit to Vietnam of such great significance in the history of relations between the PRC and Vietnam, which have a long tradition of friendly relations. Although there was a difficult period, in comparison to the entire history of their relations, that phase was very brief. In November 1991 General Secretary Do Muoi and Vo Van Kiet, Chairman of the Council of Ministers, visited China, officially signifying the normalization of relations between the two countries. The present visit to Vietnam by President Jiang Zemin will advance relations between the two countries to a new phase of development. We have much in common, and that is a basis on which to develop friendly and cooperative relations. For example, we have both steadfastly retained the leadership of the communist party and the socialist path, and we have both made economic construction the central concern. The struggle goals of the 'reform' policy in China and 'renovation' in Vietnam are similar. Against that background, General Secretary Do Muoi has emphasized that there is no reason why Vietnam and China cannot develop friendly, cooperative relations."

"Mr. Ambassador, please tell us about the prospects for resolving the border-territory problem between the two countries."

"It is true that relations between our two countries still include a border-territory problem. That is a problem that often arises between neighboring countries. The



leadership of the two countries agree that the problem must be resolved through peaceful negotiations. In October 1993 the two countries agreed on the basic principles for resolving the border-territory problem. On the basis of those principles, the two parties have held a number of talks to delineate the border on land as well as in the Gulf of Tonkin which made much progress. But as everyone knows, the border-territory problem is not an easy one and requires a long period of time. I think that with a spirit of friendship and by means of negotiations, that problem is certain to be resolved satisfactorily. I want to point out that the leadership of Vietnam and China have agreed not to allow that matter to affect the cooperative and friendly relations between the two countries."

"Recently economic-commercial relations between Vietnam and China have mainly inclined toward small-scale trade. What must we do to increase large-scale trade?"

"Developing economic-commercial cooperation is an important content of the development of friendly relations between the two countries. Since becoming ambassador to Vietnam I have paid special attention to furthering those relations. With regard to small-scale trade (cross-border trade), during the past three years it has increased very rapidly. In 1992 small-scale trade increased 2.5 times over 1991. In 1993 large-scale trade amounted to \$300 million. During the first eight months of this year that trade increased by 80 percent over the same period last year. It is estimated that this year that index will reach \$500-600 million. It must be said that the volume of Vietnamese goods exported to China is increasing very rapidly.

Small-scale trade greatly benefits both countries, especially the people living in the border areas, but some problems still exist. In 1993 the two countries signed an agreement to bring order to the border trade. Since then the border trade situation has undergone good transformations. The amount of counterfeit goods has decreased notably. The Chinese Government is very concerned with that problem because counterfeit goods not only affect the interests of consumers but also seriously harm the prestige of Chinese goods.

In order to strengthen commercial cooperation, during the present visit to Vietnam by President Jiang Zemin the two sides will sign a number of agreements, such as setting up a committee on cooperation in economics and trade, guaranteeing the quality of export goods, and land transportation.

At present, we hope to cooperate with Vietnam in many ways in order to improve and upgrade Chinese aid projects built in Vietnam in the 1950's and 1960's. At the same time, we want to cooperate in building new projects. Large Chinese corporations are paying much attention to that matter. At present, China has 22 investment projects in Vietnam with total capital of 24

million USD. Furthermore, many large Chinese corporations in Hong Kong have invested large amounts in Vietnam. In general, Vietnam and China have good prospects for developing commercial and economic cooperation.

### **New Rules Set To Streamline Foreign Investment**

*BK0401091195 Hanoi VNA in English 0634 GMT 4 Jan 95*

[FBIS Transcribed Text] Hanoi VNA Jan 4—The prime minister has decided new regulations to streamline procedures on formation, appraisal and implementation of foreign direct investment projects in Vietnam.

As from January 1, 1995, the prime minister will finalize key projects in such important fields as construction of infrastructural facilities for industrial estates and export processing zones, build-operate-transfer (BOT) projects and projects with investment capital of 40 million US dollars upward each, involving in the following industries: electric power, mining, oil and gas, metallurgy, cement, chemicals, mechanical engineering, electronics, seaports, airports, telecommunications, shopping centres, cultural centres, tourism and real estate business.

The prime minister will also have final authority over projects on culture, press, publication, national defence and security, and projects using from five hectares of urban land upwards and from 50 hectares and more of land of other categories.

Other projects will be managed by the State Committee for Cooperation and Investment (SCCI).

One of the new regulations stipulates that land leasing shall be considered simultaneously with the appraisal of the relevant projects.

The SCCI chairman, Mr. Dau Ngoc Xuan, said that the project evaluating time shall be shortened by half or two-thirds. The new regulations stipulate that the time for relevant ministries to appraise a project is 20 days. After 20 days, if the proposal gets no answer, it implicitly means that the project is approved by the relevant ministry.

No later than 50 days after receiving regular documents for applying investment licences, the SCCI chairman must notify the relevant applicants of the government's decision.

So far, 1,000 licences were granted to foreign-invested projects, bringing the total foreign investment capital in the country to 11 billion US dollars.

### **Assembly Standing Committee Considers 1995 Goals**

*BK0401144195 Hanoi Voice of Vietnam Network in Vietnamese 1100 GMT 4 Jan 95*

[FBIS Translated Text] On 27-31 December, the National Assembly Standing Committee [NASC] met in



Hanoi under the chairmanship of National Assembly Chairman Nong Duc Manh. Vice President Nguyen Thi Binh attended the meeting.

1. The NASC reviewed the implementation of its duties and authority in 1994, approved its 1995 program, and discussed measures to improve its efficiency in the undertaking of national renovation.

2. The NASC examined an initial report on the results of the first meetings in the official 1994-99 term of the people's councils of provinces and cities directly subordinated to the central government. The NASC passed a resolution recognizing the results of the election for chairmen and vice chairmen of the people's councils; and for the approval of the remuneration for chairmen, vice chairmen, and sectional chiefs and deputy chiefs of the people's councils in the official 1994-99 term.

3. The NASC considered the preparation for the seventh session of the Ninth National Assembly, including the preparation for the draft bill of a civil code. The NASC holds that a civil code will play an important role in our legislative system as it contains provisions relating to the interests of the state, society, and each individual. Therefore, the NASC decided to widely solicit opinions on the draft bill from people of all walks of life and all sectors at all levels.

4. The NASC offered views on the draft bills on minerals, organization of administration tribunals, diplomatic titles, government fees, and civil servants. The NASC requests all agencies drafting legislation to coordinate with the responsible authorities of the National Assembly and other state agencies for further refinement of these bills before presenting them to the NASC for further consideration.

5. Acting on the recommendation of the chief justice of the Supreme People's Court [SPC], the NASC approved the chief justice's decision on the appointment of additional members to the SPC Board of Justices. The NASC also approved SPC staffing for 1995.

#### **Phan Van Khai Sets 1995 Economic Priorities**

BK0201151095 Hanoi Voice of Vietnam in English  
1000 GMT 2 Jan 95

[FBIS Transcribed Text] The LAO DONG—Labor—newspaper has interviewed Deputy Prime Minister Phan Van Khai on socioeconomic activities for 1995. Mr. Khai said that the government would concentrate in reforming financial and monetary system, improving the quality of planning and zoning, consolidating the state economic sector, developing trade, and reforming the state of administration and education systems. The deputy prime minister said Vietnam would soon become a full member of ASEAN, meeting the wish of Vietnam itself and other countries in the region.

#### **\* State Budget Expenses on Education Noted**

952E0035A Hanoi THOI BAO KINH TE VIETNAM in  
Vietnamese 17-23 Nov 94 p 1

[Article by Minh Hien: "Talented People Are the Nation's Strength"]

[FBIS Translated Text] Investment in education and training is the largest sum of money spent by any nation in the world to "cultivate people." The education and training sector is an enterprise that makes a "profit" only after hundreds of year in operation, a profit that can never be calculated in terms of money. Therefore, no businessman dares to invest his money in the education sector; only the national budget can cover this important task: comprehensively developing people.

In the four years from 1985 to 1988, the percentage of the state budget expenses on education and training steadily decreased, from 6.2 percent in 1985 to 4.4 percent in 1988. This percentage was too small and too low compared to other Asian countries. Because of the dearth of financing, the system of material base of the education service in that period deteriorated seriously. From 1986 to 1991 the number of vocational middle schools dropped from 292 to 268, and the number of kindergarten, general school, and vocational middle school students decreased significantly. During that time, an estimated 3 million children from six to 14 years of age did not go to school and more than 10 percent of elementary school pupils dropped out. Huge budget deficits and dizzy inflation caused people to forget somewhat about the task of "cultivating people" for the future of the entire nation.

Over the past eight years, since 1986, the average size of a kindergarten class has not changed much—still numbering about 28-29 pupils, with each state-run kindergarten teacher having to take care of an average of 23-25 pupils. With such a large class, it is difficult for the teacher to bring them up well. In reality, at present, a woman teacher at a private kindergarten has to take care of and teach five or eight children. This is a demand of relatively well-to-do parents, who are not concerned about expenses and only insist on high-quality education. The average size of a Level-I and Level-II general school class is not so good either. Throughout the past 10 years, enrollment has been 35 or 36 students per class for the Level-I general schools and 23 or 25 students per class for the Level-II general schools.

Not much progress has been reported in the domestic system of technical workers training schools either. Enrollment had dropped from 139,700 in 1986 to 75,800 in 1993; likewise, the number of teachers also decreased from 7,396 to 6,238.

Since 1989, the state budget has begun to attach special importance to increasing the percentage of expenditures for education and training. To have an idea how state budget expenses on education and training compare with other expenses, look at the following figures: In the



1990's, the expenses on capital construction accounted for 23 percent to 25 percent of the total state budget expenditures; expenses on administrative management accounted for 5 percent to 7 percent.... In particular, other (unnamed) expenses had increased from 1.6 percent in 1986 to 12 percent or 14 percent in the 1990's. The huge, cumbersome administrative management machinery coupled with the special expenses left too meager a sum of money for education and training, and there was only a paltry increase in the budget for education.

In 1994, financial experts have drafted a "National Financial Policy the Period Up to the Year 2000" for a comprehensive development of the Vietnamese people in areas such as scientific research, training, education, health care, culture, art, sports and physical education, and social welfare. Although publication of the figures has not been allowed yet, it is heartening indeed that this is the first time that Vietnam has studied and drafted a strategy for long-term development of man.

### **Fight Against 'Social Evils' Strengthened**

*BK0301081695 Hanoi VNA in English 0516 GMT  
3 Jan 95*

[FBIS Transcribed Text] Hanoi VNA January 2—The Central Committee of the Communist Youth Union, the Ministries of the Interior, Justice and Labour have committed themselves to coordinate activities in the fight against social evils.

Under the commitment, the youth union will have the key responsibility for information dissemination and education of people, especially the youth, in the fight against social evils, and providing vocational training and jobs for reeducated prostitutes and drug addicts.

It is reported that presently Vietnam has more than 72,000 prostitutes, nearly 200,000 drug addicts, of them young people account for over 70 per cent, even 82-88 per cent in some mountainous areas.

In 1994 the state allocated 100 billion Vietnamese dong (roughly 10 million US dollars) to the three programmes on drug abuse prevention, anti-prostitution and AIDS. Moreover, being a national programme drug abuse prevention and control will get funds of 50 billion Vietnamese dong in 1995.

Half of the drug addicts were treated at home or at 50 state-run centres last year. Areas under opium poppies

dropped to 4,000 hectares from 20,000 hectares in 1992. However, appropriate crop substitution remains a hard nut to crack.

Targets set for 1995 include the destruction of all opium poppy areas, a decrease of 80 per cent in juvenile drug addicts, and no drug abuse among school pupils and students.

Public employees found to be related to prostitution, drug addiction and gambling shall be severely punished in accordance with government regulations. According to Mr. Hoang Duc Nghi, cabinet minister and chairman of the Government Committee on Mountain Regions and Ethnic Minority Affairs, Vietnam will soon build a law on drug abuse prevention and fight.

### **Officials Report 1994 Growth in Hanoi GDP**

*BK3012135794 Hanoi VNA in English 1309 GMT  
30 Dec 94*

[FBIS Transcribed Text] Hanoi VNA December 30—The gross domestic product of Hanoi reached a growth rate of 12.3 per cent for 1994 (with GDP share per head of USD [U.S. dollars] 616). Its locally-run industrial output value increased 26.7 per cent, and export value 30.1 per cent.

It was reported by the municipal senior officials in a working session on Dec. 29 with Prime Minister Vo Van Kiet and Deputy Prime Minister Phan Van Khai and other cabinet members.

Last year, the city's tourism industry grossed a turnover of 550 billion Vietnamese dong (roughly 50 million US dollars), a two-fold increase over 1993 figure.

As regards foreign investment, 162 projects are operating in the capital city with a total invested capital of 1,874 million US dollars. Of the projects afoot, 29 per cent are engaging in industrial production and 47 per cent in tourism and services.

It was reported at the session that the city plans to have an increase of 13-14 per cent in national domestic product for next year, including 16.8 per cent in industrial output, 7.9 per cent in agricultural production, and 33 per cent in export value compared with 1994. Other targets for 1995 include jobs for additional 38,000-40,000 people, reduction to 1.9 percent in natural birth rate, universalisation of secondary education for all in inner city and 30 per cent of suburban communes, expanded immunisation for 98- 99 per cent of the targeted people, and upgrading of grassroots public healthcare facilities.



## Australia

### Khmer Rouge Said To Offer Bounty on Australians

#### Embassy Tightens Security

BK0401060195 Hong Kong AFP in English 0533 GMT  
4 Jan 95

[FBIS Transcribed Text] Sydney, Jan 4 (AFP)—A round-the-clock guard of Cambodian troops is in place around the Australian embassy in Cambodia amid reports here that the Khmer Rouge [KR] is offering an 8,000 US dollar bounty for captured Australians.

Officials in Canberra confirmed Wednesday that they were treating the reports as reliable along with other threats made recently by the marxist guerillas.

However, diplomats and officials in Phnom Penh said Wednesday they could not confirm reports of a bounty.

The threats follow the murder of a number of Western hostages, including two Australians, and increased military aid to the Cambodian government by Canberra.

Among stepped up security measures, the street outside the Phnom Penh embassy has also been closed as Australian officials brace for the possibility of intensified attacks following threats to target Australians.

The Khmer Rouge warned that it would decapitate captured Australians in radio broadcasts late last year following Canberra's decision to increase its non-lethal military aid to Cambodia in an effort to counter the guerillas.

Reports of the bounty, of 200,000 Cambodian bahts, have reached embassy officials through defectors from the Khmer Rouge.

A foreign affairs spokesman in Canberra said Khmer Rouge propaganda broadcasts, reports by defectors and by the Cambodian government all pointed to increased Khmer Rouge activity.

The spokesman said the Khmer Rouge actions were believed to be in response to "a fairly successful campaign against them by government forces."

He also confirmed reports here of increased security at the embassy, including closure of the street outside it.

"We will also continue to take measures to alert Australians in Cambodia to the dangers," he said.

The spokesman said that under UN conventions, the protection of embassy premises and staff was the responsibility of Cambodian authorities.

#### Bounty Offer Taken Seriously

BK0401075895 Melbourne Radio Australia in English  
0630 GMT 4 Jan 95

[From the "International Report" program]

[FBIS Transcribed Text] Reports from Cambodia say the Khmer Rouge has offered a bounty of more than \$10,000 [Australian dollars] to any guerrilla fighter who kidnaps an Australian or American. The reports follow warnings over Khmer Rouge radio that it will behead any Australian it catches because of increased Australian military assistance to the Phnom Penh government.

Peter Cave asked regional correspondent Trevor Watson if the threats were being taken seriously.

[Begin recording] [Watson] These threats are being taken very seriously, indeed. The Australian ambassador to Cambodia, Tony Kevin, when the radio threatened to decapitate—that is Khmer Rouge radio—threatened the decapitation of Australians, asked the Cambodian Government to close the street outside of the Australian Embassy in Phnom Penh and to post an additional guard around the homes of Australian diplomats in Phnom Penh, and therefore, the Australian diplomats there are taking the matter very seriously, indeed. In fact, Australians have been warned several times now by the government in Canberra not to travel outside of the capital, Phnom Penh, unless they really have to.

[Cave] It would seem to indicate they are strengthening the reinforcements, the guard around the Australian Embassy that the Khmer Rouge had the ability to strike in the capital itself.

[Watson] Well, terrorist attacks, of course, are very, very difficult to predict and very difficult to contain. So, the Australians in Phnom Penh are taking all of the precautions that they possibly can.

[Cave] Where does this new claim of \$10,000 bounty was available come from?

[Watson] There have been many many defections in recent months from the Khmer Rouge to the Cambodian Government—about 1,500 since November. The latest threat has come from a defector in the town of Siem Reap, north of Phnom Penh, and has been corroborated by a second defector. The two men have told the Cambodian Government that it is now Khmer Rouge policy to target Australians because of Australia's high-profile involvement in the Cambodian peace process of 1992 and 1993 and also, of course, a more recent offer of nonlethal military assistance to the Cambodian Government.

[Cave] Ten thousand dollars is a lot here. It must an enormous amount in Cambodia.

[Watson] Well, absolutely. It is a huge amount of money and of course a lot of this could well be propaganda, although it is worth making the point that the Khmer Rouge is now a very wealthy organization as a result of its gem mining and illegal logging activities in Cambodia. Cambodia leaders—the communist leaders of the Khmer Rouge—do have million-dollar bank accounts dotted all around the world.



[Cave] Trevor, apart from our diplomats, who are most at risk?

[Watson] Well, travelers, of course, and as I say the Canberra government has warned Australians not to leave the capital, Phnom Penh, unless they absolutely have to. As we know, two Australians were kidnapped last year and killed along with four other Westerners. It is very, very dangerous, indeed, for Australians or any other Westerners, for that matter, to travel outside of Phnom Penh. The government military is in disarray to a large extent and cannot ensure the safety of anybody traveling outside of the capital. [end recording]

#### **Thai Decision To Reduce Import Taxes Welcomed**

*BK0201070895 Melbourne Radio Australia in English  
0500 GMT 2 Jan 95*

[FBIS Transcribed Text] The Australian Government has welcomed Thailand's announcement that it will reduce import taxes on more than 3,000 trade items from January this year. Australia's acting trade minister, Gordon Bilney, says the average duty on import into Thailand will fall from about 30 percent to 17 percent by the beginning of 1997. The acting minister says the current cut will benefit Australian companies which

export coal, wool, [word indistinct], automobile parts, machinery, and electrical appliances. Mr. Bilney says Thailand's decision [is] parallel to similar announcements in Malaysia and Indonesia.

#### **Indonesian Fishing Boats Escorted From Darwin**

*BK0401032695 Melbourne Radio Australia in English  
0100 GMT 4 Jan 95*

[FBIS Transcribed Text] Twelve Indonesian fishing boats have been escorted out of Darwin Harbor at the start of their voyage back to Indonesia. Trent O'Keeffe reports most of the illegal fishing vessels have been in Darwin since 10 December.

Australian customs officials expected 12 boats carrying 98 Indonesians to take five days to reach Kupang in West Timor. They have been given sufficient food and water for 10 days and a compass for each vessel. Twice daily aerial patrols will ensure the boats don't stray off course and each skipper has been warned there is to be no fishing on their way to Kupang. The skippers were allowed to return home with their vessels after appearing in a Darwin court to lodge sureties, most of which were \$2,000 [Australian dollars].



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